



PRESS RELEASE

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Take the Money and Run! **New Report: Out-of-State Corporations Play Shell Game with NM Taxes**

ALBUQUERQUE—Big, multi-state corporations like Wal-Mart use a variety of methods to pay less than their fair share of corporate income taxes to the state of New Mexico, according to a report released today by New Mexico Voices for Children. The report is called "Corporate Shell Games: How Wal-Mart and Others Shield Their Profits from New Mexico Taxes."

Some multi-state corporations take advantage of a loophole in New Mexico's tax laws that allows them to manipulate their revenue so the companies appear to make lower profits in New Mexico than they actually do. The state Taxation and Revenue Department (TRD) estimates that the loophole costs New Mexico \$80 million annually.

Wal-Mart, for example, has used this loophole to play a multi-million dollar shell game, shifting its profits to a subsidiary in Delaware - where it was not subjected to corporate income tax.

After New Mexico's Taxation and Revenue Department (TRD) ruled that Wal-Mart owed state \$11.6 million, Wal-Mart devised a new shell game. The retail giant transferred its real estate holdings to a trust and now essentially pays rent to itself - which it then deducts from its tax bill as a 'business expense,' even though that money never leaves the company. The state has also taken Kmart to court over taxes - and won.

A change in state law would make it much easier to collect the revenue that's owed the state. "The solution is simple," said Rep. Peter Wirth (D-Santa Fe). "Change the law to require 'combined reporting' and require multi-state corporations operating in New Mexico to pay corporate tax regardless of how they do their internal bookkeeping," he added. Rep. Wirth has sponsored so-called 'combined reporting' legislation in the last three legislative sessions, but the bills have always died in the House Business and Industry Committee.

Combined reporting is catching on all over the country, as 20 states now have such laws. They require multi-state corporations to 'combine' the income from all of their subsidiaries. A formula is then used to determine how much income tax is owed each state.

"States with combined reporting - Arizona, Colorado and California, for example - have enjoyed strong job growth," said NM Voices Research Director Gerry Bradley. "Combined reporting levels the playing field for corporations doing business only in New Mexico."

Advocates argue that there's more to this issue than lost revenue. There's also the issue of fairness. Every dollar that the state fails to collect from a corporation such as Wal-Mart is a dollar that has to come out of someone else's pockets - like those of local businesses or hard-working taxpayers.

"Local New Mexico businesses are paying their fair share of the corporate tax," said Rep. Wirth. "Why should their out-of-state competitors be allowed to pay little or no tax on the money they make in New Mexico? This is bad economic policy and makes no sense."

Ken Carson, president of the local, independent My Bank in Belen, agrees. "My Bank pays its corporate income taxes - not because we have to but because we believe in supporting the community that supports us," he said.

The "Corporate Shell Games" report was released in conjunction with Change To Win, a federation of unions dedicated to improving working conditions and pay for Americans.

A fact sheet is attached separately. You can read the whole report here:
<http://www.nmfiscalpolicyproject.org>

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New Mexico Voices for Children is a nonpartisan, nonprofit organization advocating for policies to improve the health and well-being of New Mexico's children, families and communities.
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