

Press Release

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Food and Medical Tax Bill Bad for the New Mexico's Low-Income Families and Damaging to the State's Economy

Albuquerque – Responding to a vigorous public relations campaign in support of HB 625 (Lujan), New Mexico Voices for Children today reiterated their opposition to the bill, which would eliminate the gross receipts tax on some groceries and some medical services, and increase the gross receipts tax on everything else.

The annual cost to the state of the proposed exemptions from the gross receipts tax from some food for home consumption and some payments to healthcare providers that work for HMO's is over \$140 million annually. An increase of one half percent in the gross receipts tax for municipalities is proposed, from roughly 6% to 6.5%.

Despite the fact that the bill is being marketed as “pro-family,” the poorest of the poor are actually *worse* off under this proposal. The 80,000 families that purchase most or all of their food with food stamps receive no benefit from this legislation, because food stamps are not subject to tax. Poor families do, however, pay tax on virtually everything else they buy, including diapers, detergent, over-the-counter medicines, clothing, residential gas and electricity. Thus, says Kelly O'Donnell, Research Director for New Mexico Voices for Children, “New Mexico's poorest families will actually see their tax bill *increase* under this proposal.” The same is true for families that eat mostly prepared foods.

“We're not talking about jet-setters, we're talking about two working parents who eat their lunches at work and pick up some carryout for the kids on the way home. They too will pay higher taxes, because the tax on prepared food will go up as well,” says O'Donnell.

“People who pay for their healthcare out-of-pocket and expect their healthcare costs to go down under this bill are also in for a surprise,” says New Mexico Voices' Executive Director, Kay Monaco. The bill applies only to health care providers who are paid by managed care organizations. The uninsured see private providers and the higher tax rate will apply to them. So, their bills will actually go up as a result of this tax increase. And, they will pay higher taxes on aspirin, cough medicine and all other over-the-counter drugs.

In addition, the lion's share of the benefits of HB 625 will go to the same families that just got a windfall from the state and federal income tax cuts. "Moderate and middle-income families deserve their fair share of tax relief. Under this proposal some may receive a small decrease in their overall tax burden, but far less than they would have gotten had the same amount of money been channeled to them through the income tax," says Monaco. "The real winners are upper income households that spend a lot of money on groceries and buy most of their luxuries from catalogues or on the Internet. They get a tax break on their groceries and don't have to bear the burden of higher taxes on everything else."

This proposal is inconsistent with many of the Richardson administration's stated "top priorities":

- ✓ It is a tax *increase* for business. It increases the cost of doing business in New Mexico and exacerbates the disadvantage to New Mexico business attempting to compete with businesses in other states.
- ✓ By burdening business, this proposal will increase pressure to enact new tax breaks for business. More business tax breaks will worsen our states' deepening revenue crisis, making it even harder to fund essential service such as healthcare and education.

O'Donnell concludes "This legislation is a shell game. The costs negate the benefits. New Mexicans are told they are getting a tax break, but for many the reverse is actually true. If this bill becomes law it will be a triumph of spin over substance."

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