



PRESS RELEASE

September 21, 2006

FOR IMMEDIATE RELEASE

CONTACT: Gerry Bradley, Research Director, New Mexico Voices for Children
505-244-9505 ext. 23 (p), 505-264-0074 (c), gbradley@nmvoices.org

New Report: State fails to track tax breaks for business Assessing economic impact of tax incentives impossible

ALBUQUERQUE—Every year in New Mexico, hundreds of millions of dollars worth of tax cuts, credits and incentives go to the business community in the hopes that they will create new jobs and strengthen the state's economy. But do they work? No one knows because *no one – our lawmakers included – bothers to keep track.*

These so-called 'tax expenditures' are the subject of a new report, **Moving Toward Revenue Policy Transparency in New Mexico**, to be released tomorrow by New Mexico Voices for Children. Economist Gerry Bradley, among others, will testify about revenue transparency before the Legislative Finance Committee on Tuesday, Sept. 26.

Tax expenditures are an indirect form of government spending. The agencies and programs that receive direct government spending – such as public safety, education, Medicaid, disability programs, juvenile justice, and more – must submit annual budgets that justify the money they request. Tax expenditures, once they are passed, require no such accountability and receive no meaningful scrutiny whatsoever. They are also rarely rescinded.

Tax expenditures erode the state's gross receipt tax base by more than half. In 2005, for example, total gross receipts were about \$87 billion, but taxable gross receipts after deductions were less than half that – only \$41 billion. When the tax base is eroded, the rate for gross receipts taxes – the tax we all pay on goods and services – must be raised in order to make up the difference. The report estimates that if all tax expenditures were rescinded New Mexico's gross receipts tax rate could be lowered from its current 6.7% to just 3.1% without cutting into the state's budget.

The NM Voices report recommends that New Mexico publish an annual tax expenditure report so these tax breaks are subject to oversight by policymakers and the public.

###

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.
2340 Alamo SE, Suite 120, Albuquerque, NM 97106; 505-244-9505 (p); www.nmvoices.org