



PRESS RELEASE

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Post-legislative session review forecasts revenue crunch by FY 2010

ALBUQUERQUE—An analysis of the New Mexico Legislative Finance Committee's 2008 Post Session Review shows that the state's tax revenues will not keep pace with New Mexico's economy or inflation, creating a budget shortfall as early as FY 2010, which begins in July 2009.

The analysis is laid out in the report "New Mexico's Revenue Forecast: The Coming Drought," released by the child advocacy organization New Mexico Voices for Children. "The state's own projections are for a deficit of \$8 million in 2010 that will grow to \$122 million by fiscal year 2012," said Gerry Bradley, Research Director for NM Voices and the report author. The analysis shows that all of the state's major sources of revenue, except taxes on oil production, are expected to slow in coming years. While taxes on oil and natural gas increase as prices for these commodities rise, production continually declines as resources are depleted.

"Unless we find new revenue streams, the state will be forced to cut services and programs," said Bradley, "and new priorities that are already being discussed, such as the school funding formula, are even less likely to be implemented."

The report poses several policy solutions for increasing revenue. Among them are implementing combined reporting, which would require multi-state corporations to pay their fair share of corporate income taxes on their profits here, and closing a loophole in the state's personal income tax code that essentially allows filers who itemize to take the same deduction twice. These two initiatives alone would bring in an estimated \$140 million a year.

The report is attached as a pdf, and will be available online at www.nmfiscalspolicyproject.org

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