



## **Press Release**

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### **PRESS CONFERENCE TO RELEASE NEW REPORT:**

#### **"Personal Income Tax Cuts Do Not Equal Economic Growth"**

Thursday, February 10th 12:00 noon

Santa Fe: Roundhouse Room 303

#### **New Report Documents Failure of Tax Cuts to Stimulate Increased Job Growth or Job Quality in New Mexico; Workforce Issues Cited by Business as Far More Important Than Tax Cuts**

Albuquerque - The assumption that tax cuts lure business to New Mexico and stimulate the state's economy is wrong, according to a new study released by New Mexico Voices for Children. The report "Personal Income Tax Cuts Do not Equal Economic Growth" documents disturbing news about the impact of the personal income tax cut that was passed in 2003, and counters claims by the Richardson administration that it would have a positive impact on the economy.

#### **No New Job Growth Since Tax Cuts**

Job growth since the tax cut was enacted has been exactly what was predicted before the tax cuts. "This study shows that the idea that the reducing personal income taxes creates jobs or improves the economy in any way is a fairy tale", said Gerry Bradley, Research Director of New Mexico Voices for Children. "In fact," he continued, "this tax cut has not only failed to stimulate new job growth, it has failed to improve job quality and median income for the majority of New Mexicans".

The expected job growth, forecast by the University of New Mexico's Bureau of Business and Economic Research was almost exactly what the state experienced in actual job growth: 1.2% for 2003 and 1.9% for 2004. This forecast was done before Richardson took office, and before the tax cuts were enacted. Predictions are that job growth will deteriorate in 2008 and 2009 - the years when the impact of the tax cuts are greatest.

"It's clear that the job growth that has occurred would have occurred anyway - without these tax cuts", continued Bradley. "The only difference the cuts have made is to starve the state budget of \$166 million this year - and \$360 million by 2007 when they are fully phased-in. These tax cuts were supposed to help everyone. Instead, they have largely benefited the wealthy. The benefit to the rest of us has been minimal. And when you take into account cuts to education and healthcare as a result of the tax cut, most people in New Mexico are worse off", he concluded.

### **Job Quality Worse: Lower Wages**

According to U.S. Bureau of Labor Statistics, the quality of jobs in New Mexico has gotten worse since 2003. The jobs that New Mexico has gained (in expanding sectors such as mining, construction, retail trade, educational services and real estate) are not as good as the jobs the state is losing (in shrinking sectors such as manufacturing, utilities, agriculture, information, finance and insurance). The average weekly wage in the sectors where new job growth is occurring is \$51 per week - or \$2,652 per year - less than the average weekly wage in the jobs being lost to New Mexico's economy.

### **Businesses Value Prepared, Accessible Workforce Far More Than Tax Cuts**

A recent survey conducted to inform state business efforts in Louisiana sampled non-Louisiana-based businesses on the most important factors they consider in location decisions. Workforce issues, including labor productivity, labor costs and the availability of skilled labor - were ranked most important by over 70% of the 945 respondents. Only 21% ranked taxes and incentives as the most important consideration.

"Tax cuts are not what businesses need to be enticed to locate in New Mexico", commented Bradley. "What they most need is an adequate investment by the state in education of our workforce".

### **Tax Cuts Result in Reduced Spending on Education, Workforce Preparedness = A Net Loss**

"When tax breaks for people who are already in the higher-income brackets result in an inability by the state to pay for education and healthcare, it's a net loss to New Mexico's economy and our families", concluded Bradley. He continued: "It's time to have a discussion about tax breaks in New Mexico that is evidence-based. The use of tax cuts as a cornerstone of economic development policy is a strategy discredited by both the research and experience". A more effective economic development strategy would be to make a greater investment in education and to offer incentives for home-grown business development.

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