



## **PRESS RELEASE**

May 10, 2007

FOR IMMEDIATE RELEASE

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### **Report: Sales Tax Breaks Cost State \$5 Billion Every Year**

ALBUQUERQUE—Every year in New Mexico, the state allows almost \$5 billion worth of general sales tax exemptions and deductions, called tax expenditures. These tax expenditures have become a significant drag on the state's ability to generate its nearly \$6 billion annual budget.

That's the conclusion of a new report, "**Tax Expenditures and General Sales Taxes in New Mexico**," released by the Fiscal Policy Project, a program of New Mexico Voices for Children. This report follows "Moving Toward Revenue Transparency in New Mexico," released last September, which laid out the argument for adopting a more transparent tax system.

Most general sales tax expenditures benefit a relatively small number of businesses or individuals. For example, some of the categories exempted from the general sales tax are agricultural products, construction and manufacturing materials, and interstate trade. Goods that are purchased to be resold are also not subject to the general sales tax. This was done to limit so-called 'tax pyramiding,' or taxing an item more than once.

"This is the most expensive group of deductions," said Gerry Bradley, Fiscal Policy Program director and report author. "It costs the state \$760 million a year, yet every year lobbyists try to convince the Legislature that we have a tax-pyramiding problem."

Whenever business and industry is successful in getting another tax exemption or deduction, residents have to make up the difference by paying a higher gross receipts tax (GRT) rate or the state has to cut back its services.

A good example of this is the food and medical services deductions enacted by the Legislature in 2004. The GRT was raised half a percentage point to make up the \$220 million a year in lost revenue.

The Legislature enacts tax exemptions and deductions in the hopes that they will create new jobs and strengthen the state's economy. But because neither the annual cost nor alleged benefits of these exemptions are studied, no one knows whether they help the state or simply erode the tax base.

NM Voices for Children was successful in urging the Legislature to mandate annual tax expenditure reports during the 2007 session, but the governor vetoed the measure. "We'll consider bringing the bill before the Legislature again next year, particularly since there appears to be a continued interest in ethics reform and government accountability," said NM Voices Policy Director Bill Jordan.

The entire report is available at [http://www.nmvoices.org/attachments/tax\\_expenditures\\_3\\_07.pdf](http://www.nmvoices.org/attachments/tax_expenditures_3_07.pdf)

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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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