

The Impacts of Taxing Food & Non-Profits



Bill Jordan & Armelle Casau
New Mexico Voices for Children

Advocacy Workshop

At The Community Pantry, Gallup
December 18, 2017





**Part I:
The negative
impacts of
taxing food**

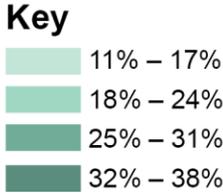
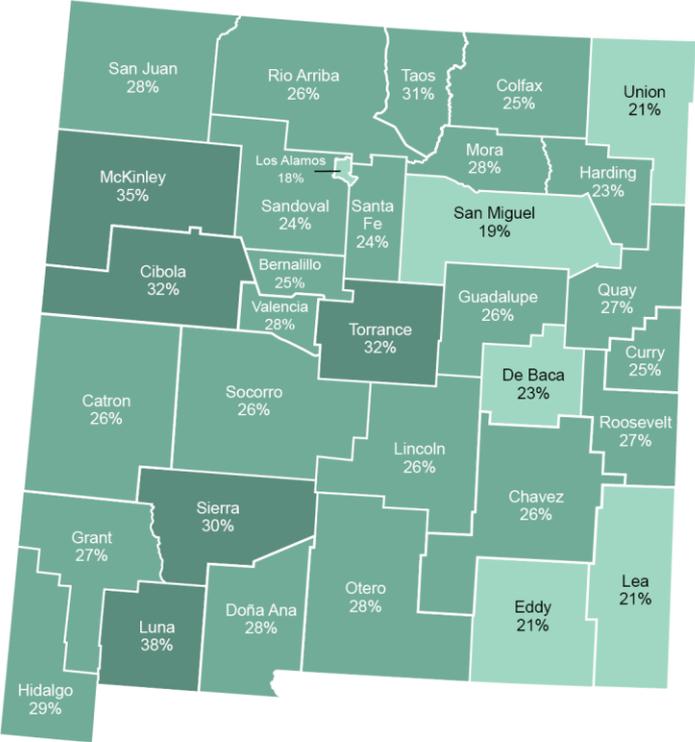
Brief history of food tax in NM

- **Prior to 2004:** food purchases were subject to the gross receipts tax (the state's version of a sales tax).
- **2004:** the tax on food was repealed.
 - The law included a “hold-harmless” provision to compensate municipalities for their portion of the revenue lost from the exemption.
- **2013:** hold-harmless provision repealed (over 15 years) to pay for a major corporate tax cut.
- **2014 forward:** under pressure from local governments facing declining revenues, some lawmakers started pushing for GRT reform that includes taxing food and removing the GRT exemption for non-profits.

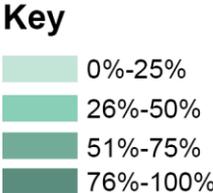
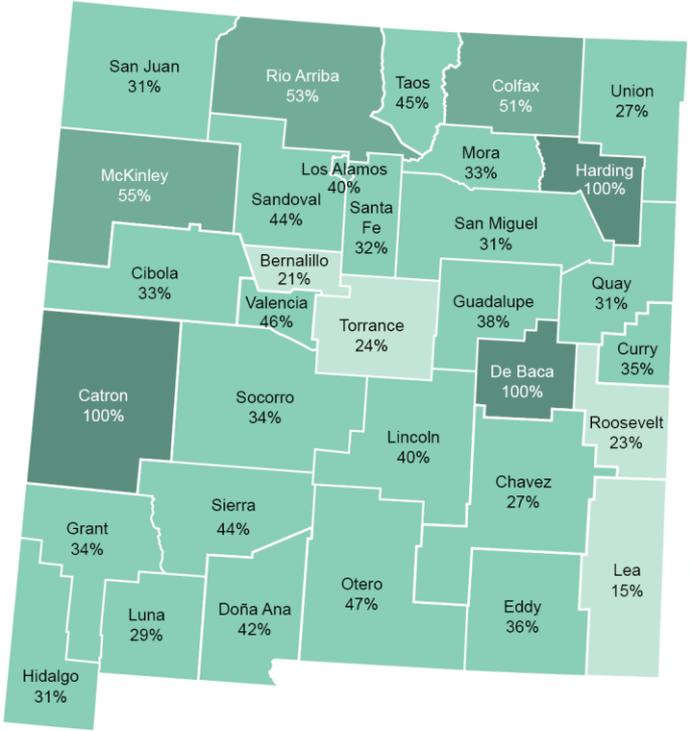


Food insecurity and access are major issues

Percentage of children who are food insecure (2013)



Percentage of the population with low access* to a grocery store (2010)



*Food access indicators for census tracts use ½-mile and 1-mile demarcations to the nearest supermarket for urban areas, 10-mile and 20-mile demarcations to the nearest supermarket for rural areas.

Sources: *Map the Meal Gap 2015*, Feeding America (child food insecurity); "Food Access Research Atlas Data File," U.S. Dept. of Agriculture, Economic Research Service, released August 2015 (food access)





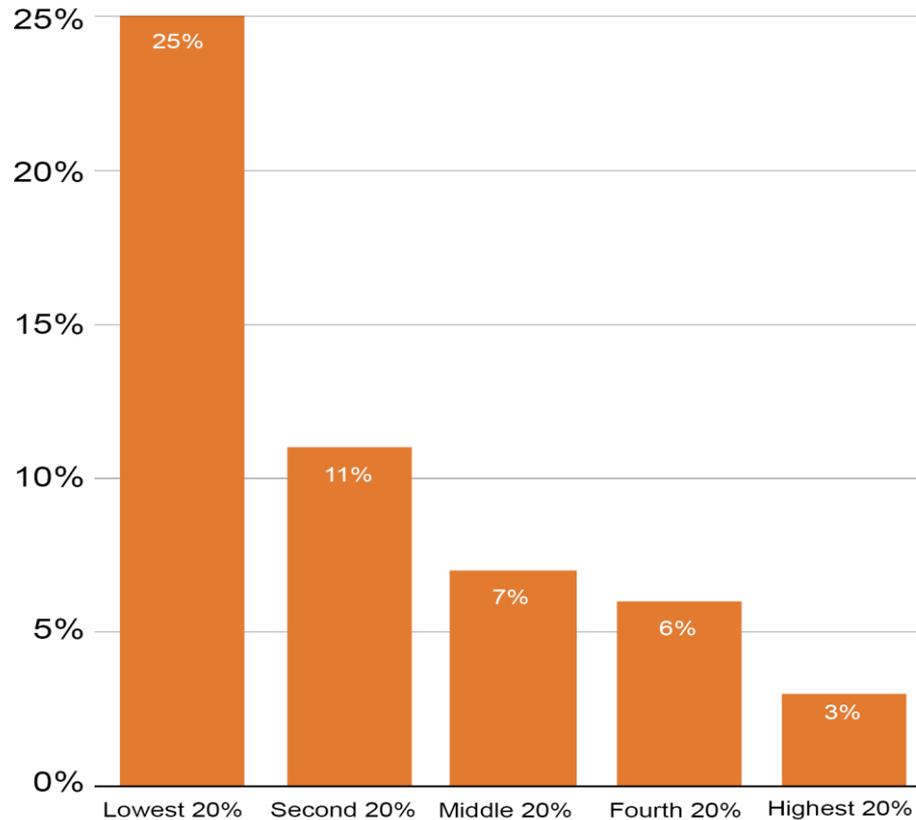
Despite school meals, SNAP, and food banks many kids still don't get enough to eat

25% of New Mexico's children are food insecure

2nd highest rate in the nation

The lower your income, the higher the share that is spent on food

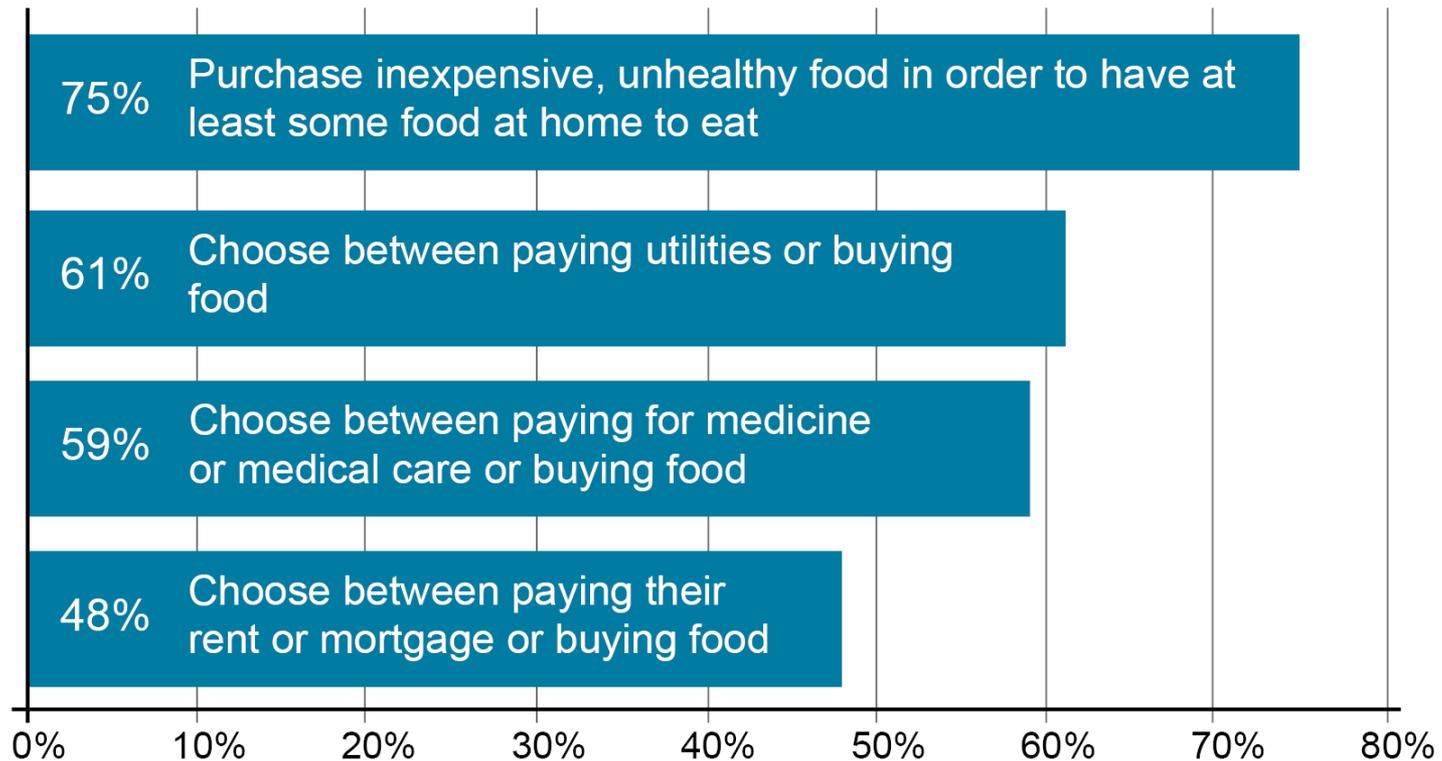
Percent of income spent on food by income quintile (2013)



Source: BLS, Consumer Expenditure Survey, 2013

Economic security impacts food choices

Many food-insecure New Mexicans already make tough choices

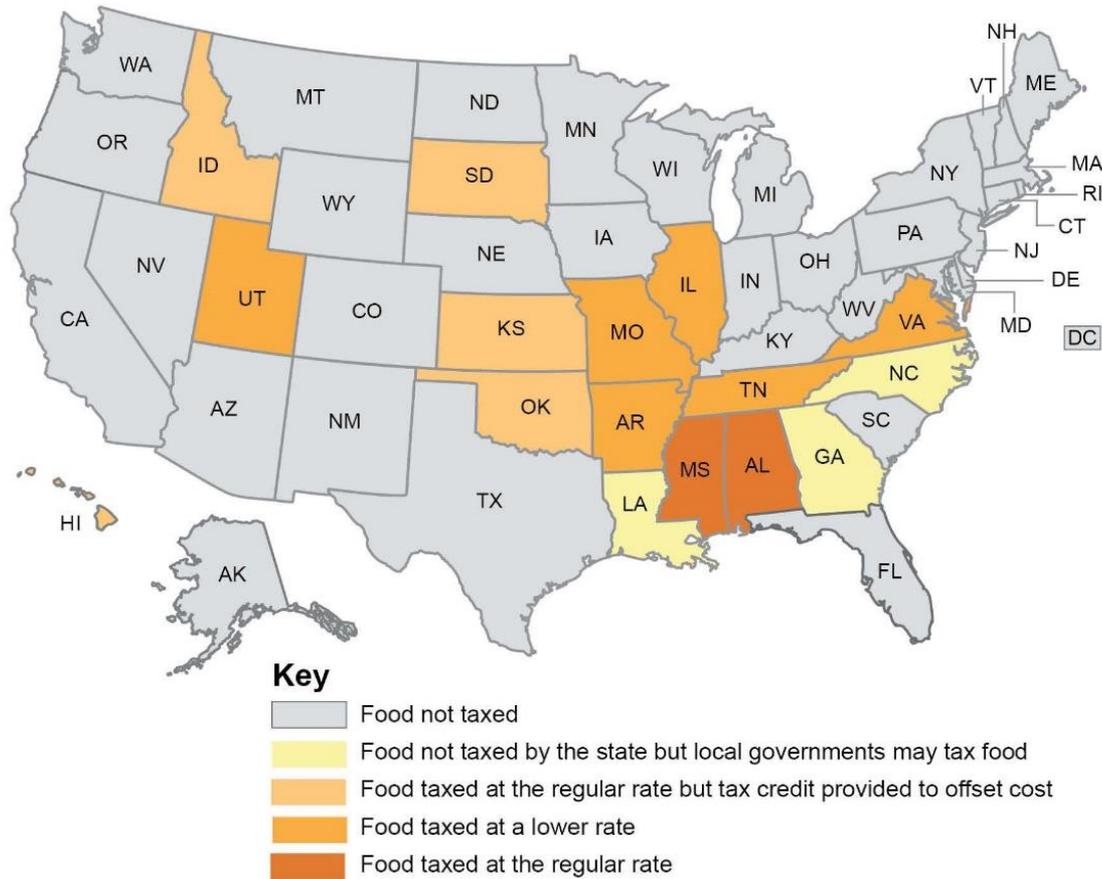


Source: NM Association of Food Banks Survey, and Feeding America, Map the Meal Gap, 2014



Most states do not tax food

State Food Tax Rates and Exemptions (2015)



Source: "State Sales Tax Rates and Food and Drug Exemptions," Federation of Tax Administrators, Jan. 1, 2015



**Working in groups, discuss
how a tax on food would
impact your community**

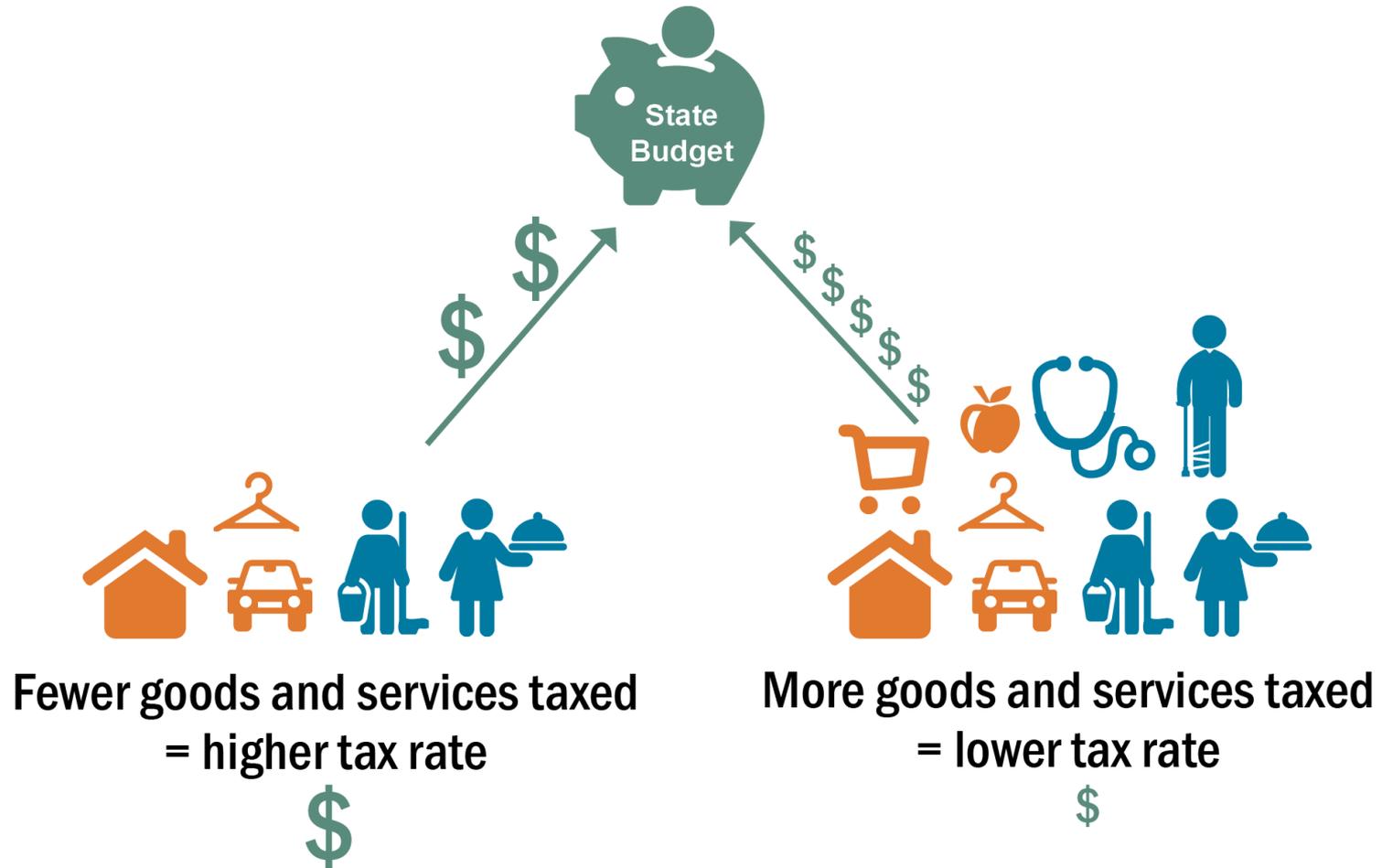




**Part II:
The negative impacts
of removing the GRT
exemption for
non-profits**

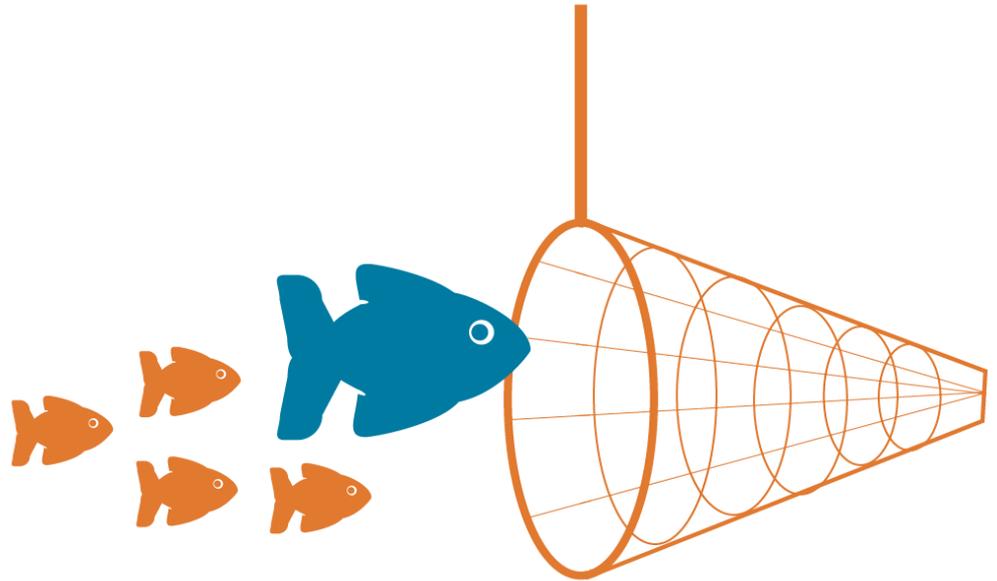
Proposed NM tax reform

Goal: broaden the base to lower the rate



Taxing Non-Profits

Why tax nonprofits?



 **PRESBYTERIAN**

Food banks

Child care providers

Health clinics



About the proposed tax reform

Problems:



Taxes essentials like groceries, health care & prescriptions



Taxes the nonprofits that provide essentials



Raises income tax—especially for the lowest incomes

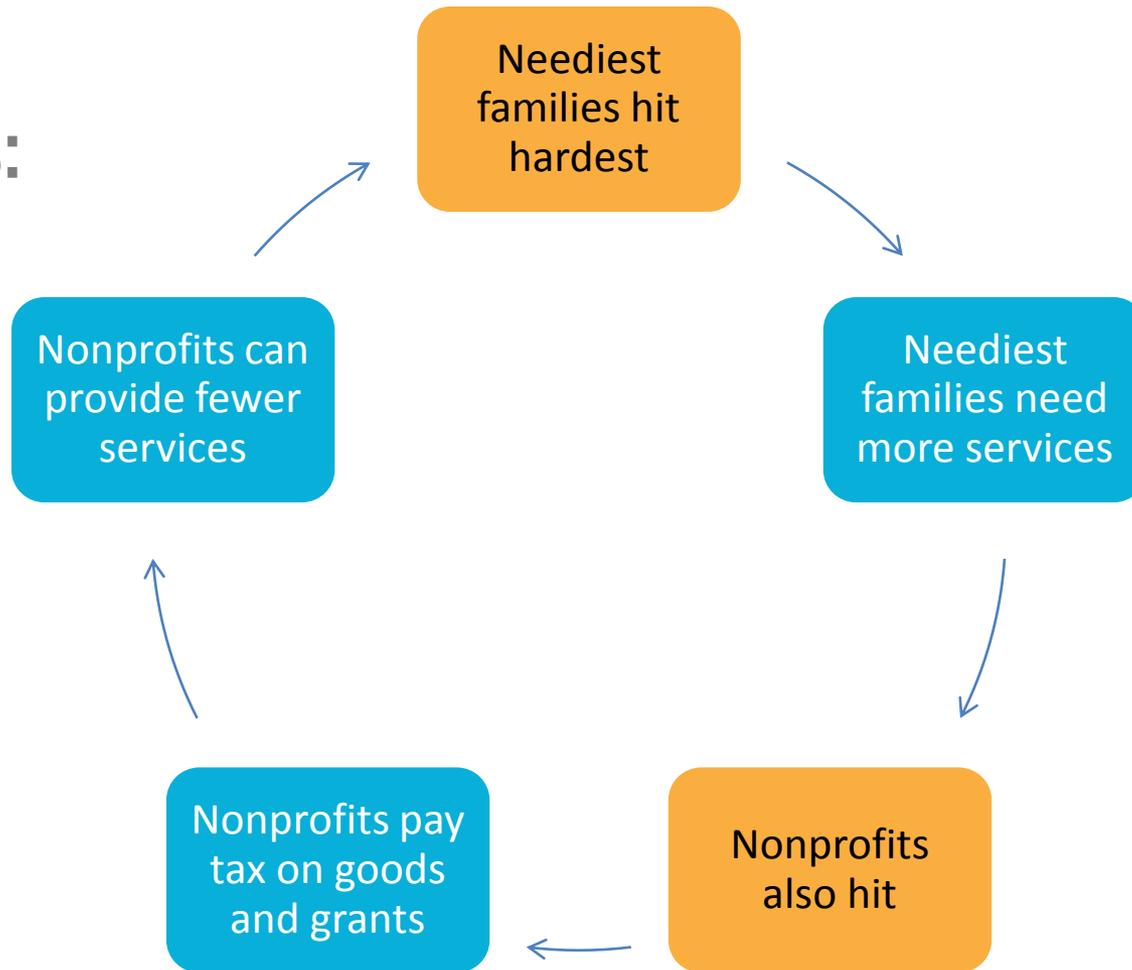


Impact on state budget unknown



How proposed tax reform could impact charities and communities

Results:



How proposed tax reform impacts charities

What nonprofits pay taxes on now:

- Services purchased (accounting, IT services)
- State contracts
- Income from fundraisers (after the first two)

What nonprofits **do not** pay taxes on now:

- Purchases of goods
 - Supplies
 - Food
 - Equipment
- Grants
- Donations, dues, registration fees
- Property taxes



How proposed tax reform impacts charities

What nonprofits would pay taxes on:

- Services purchased (accounting, IT services)
- State contracts
- Income from fundraisers (after the first two)
- Purchases of goods
 - Supplies
 - Food
 - Equipment
- Grants



How proposed tax reform impacts charities

Before tax reform

\$2,500 for accounting	Tax = \$175
\$1,000 for supplies	Tax = \$0
\$5,000 for food	Tax = \$0
\$1,000 for equipment	Tax = \$0
\$15,000 in grant awards	Tax = \$0

Total tax = \$175

After tax reform

Tax = \$175
Tax = \$70
Tax = \$350
Tax = \$70
Tax = \$1,050

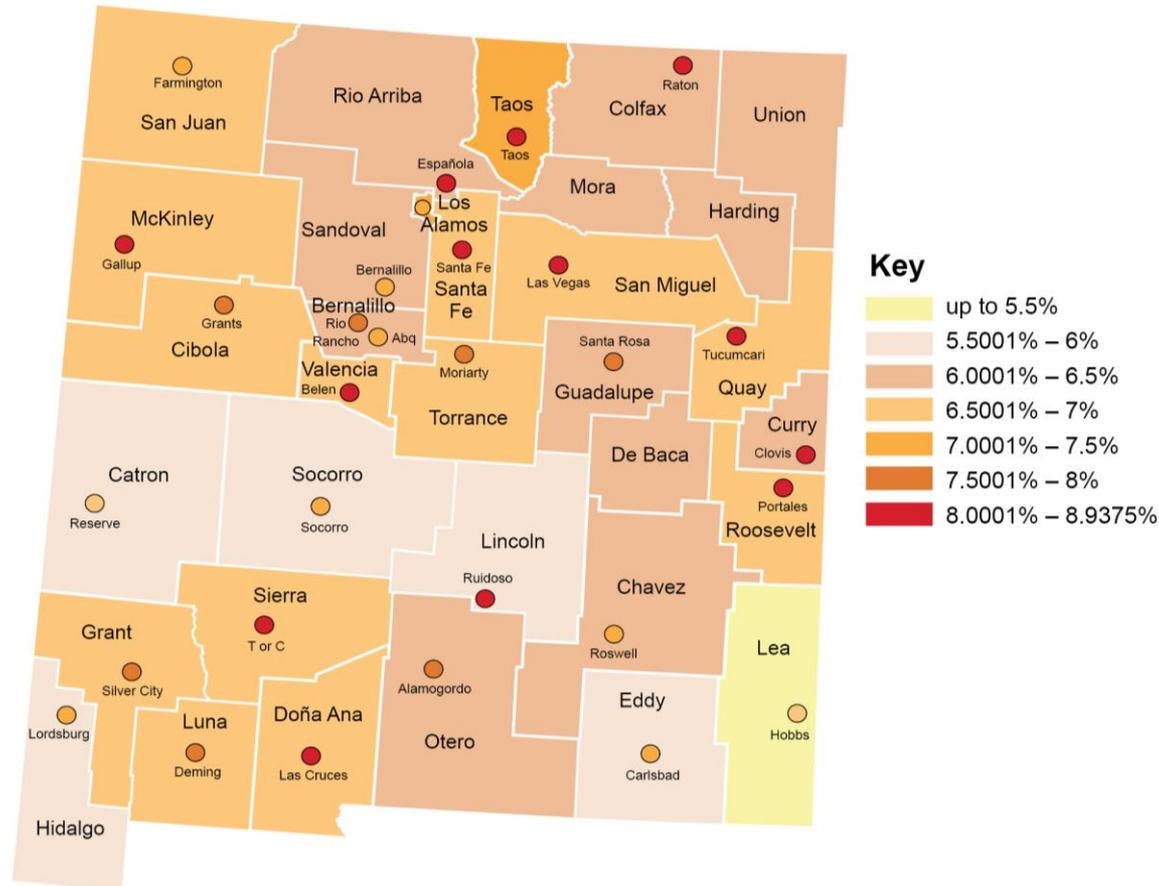
Total tax = \$1,715

Note: Taxes paid are based on GRT rate of 7%, which will likely be changed with this bill.



New Mexico's GRT tax rates vary greatly by city and county

Gross receipts taxes rates by city and county, 2015



Source: NM Taxation and Revenue Department, Current Gross Receipts Tax Rates and Schedule, July 2015-December 2015

NEW MEXICO VOICES FOR CHILDREN

How federal tax reform could impact charities

The federal tax reform could:

- Double the standard deduction
- Repeal the estate tax

This would result in:

- Reduction in taxpayers itemizing deductions, including charitable donations (from 30% to 5%)
- Reduction in charitable giving of up to \$14 billion
- Fewer estate bequests to hospitals, universities, etc.
- People still giving, but giving less

How does proposed tax reform impact your organization?



**Part III:
How you
can share
your stories**



How you can fight it

Tell us your stories:

- We need stories to tell legislators

Reach out to legislators:

- Call
- Email
- Meet in person at your nonprofit

Tell your legislators:

- Start with a story—how you have helped someone
- Follow with data—how many people you serve, how many people still can't get services
- Explain how many services you will be forced to cut



How you can fight it

Reach out to:

- Donors
- Volunteers
- Clients
- Community leaders

Reach them through:

- Social media
- Existing networks

Ask them to tell their legislators:

- What these services mean to them
- What cuts to these services will mean to them/their communities



How you can fight it

Use the media:

- Write letters to the editor
- Post on social media; blog
- Pitch a news story

Arm yourself with talking points:

- New Mexico's leaders should be fighting hunger, not making it worse.
- Hard working families should never have to choose between putting food on the table and paying rent, or buying medicine—but many of them do even with un-taxed food.
- Most states don't tax food. If they can find options for funding their government without taxing the most basic of human necessities, we can too.
- New Mexico nonprofits provide services alongside government to improve life in our communities. Taxing nonprofits will result in fewer people served at a time when government is also doing less.



Why stories matter

CHOICEandTRUTH

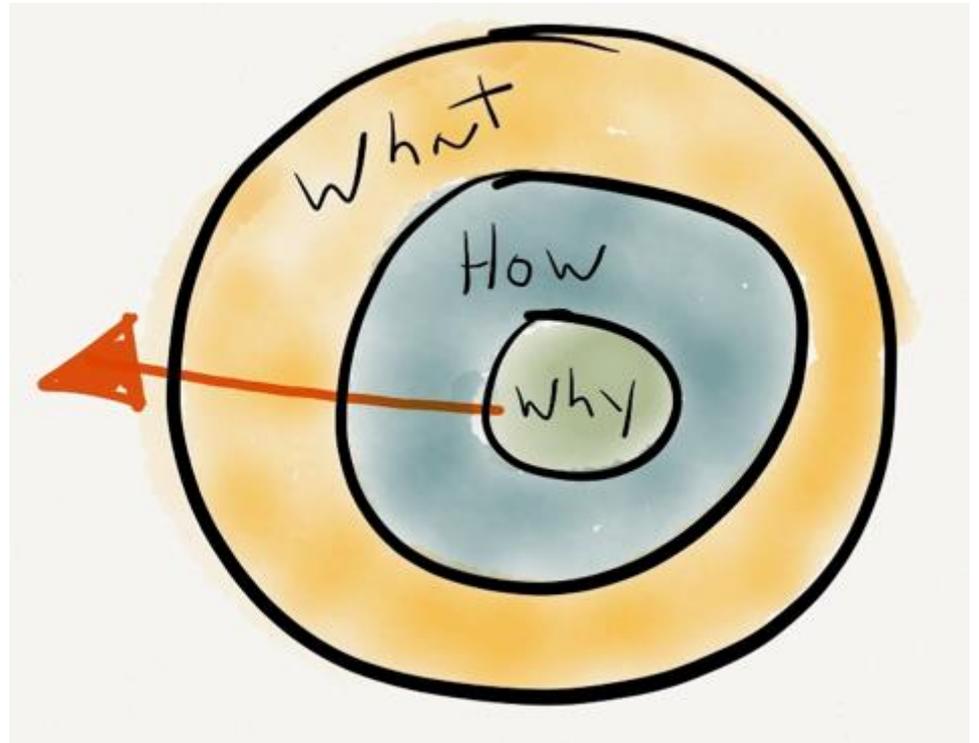
I've learned that people
will forget what you
said, people will forget
what you did, but
people will never forget
how you made them
feel.

Maya Angelou



Focus on the WHY

- Start with the “Why”
– not the “What” or
“How”
- Appeal to the
emotional brain



Appeal to common values

- The importance of family and community
- Preservation of culture
- Health & quality of life
- Opportunity for success

What values do you think apply to your work?

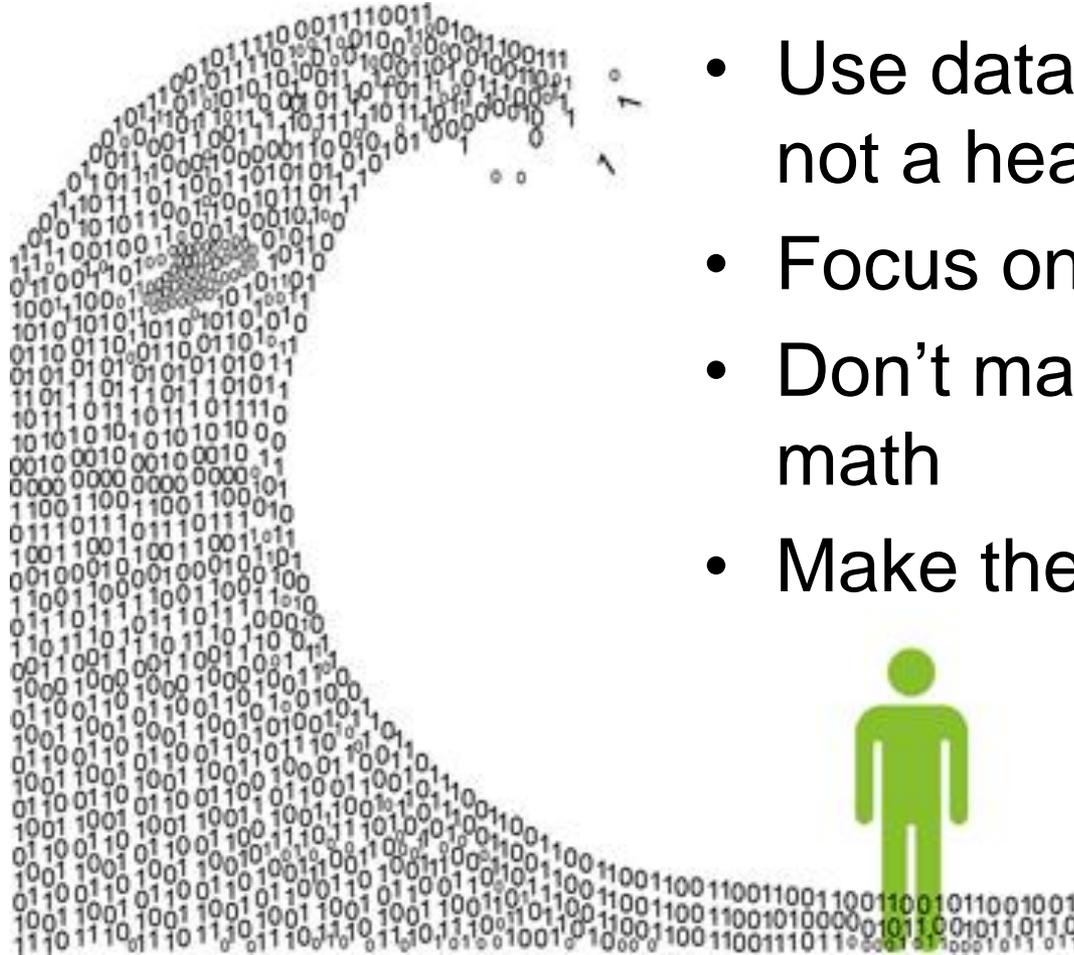
**MEET PEOPLE
WHERE THEY
ARE, NOT
WHERE YOU
WOULD LIKE
THEM TO BE**



Use the right messengers



The role of data



- Use data like punctuation, not a headline
- Focus on one impactful fact
- Don't make people do the math
- Make the data accessible



Who is your audience?



What do they care about?

What are their values?

Who influences them?

Where do they get their information?



Key legislative committees

- House Taxation & Revenue
- Senate Finance Committee
- Senate Corporations & Transportation
- House Appropriations & Finance



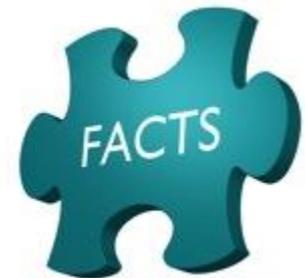
Your messaging toolbox



+



+



Hone your message & target your audience

Working in groups,
brainstorm:

- What do your legislators care about? What are their values?
- Who influences them?
- Who are good messengers?
- What stories can you highlight?
- What is your elevator speech?
- How will you help advocate for your community?



Next steps

- The legislative session is from January 16th through February 15th 2018.
- We will inform you if any relevant bills come up at committee hearings during the session.
- In the meantime, reach out to your donors, community leaders, legislators, and to the media and share your stories.
- Let us know if you need assistance with writing a blog, op-ed, etc.





**We're all in this
together.**

Thank you for all that you do for our communities!

Bill Jordan

bjordan@nmvoices.org

(505) 361-1277

Armelle Casau

acasau@nmvoices.org

(505) 361-1279



nmvoices.org

