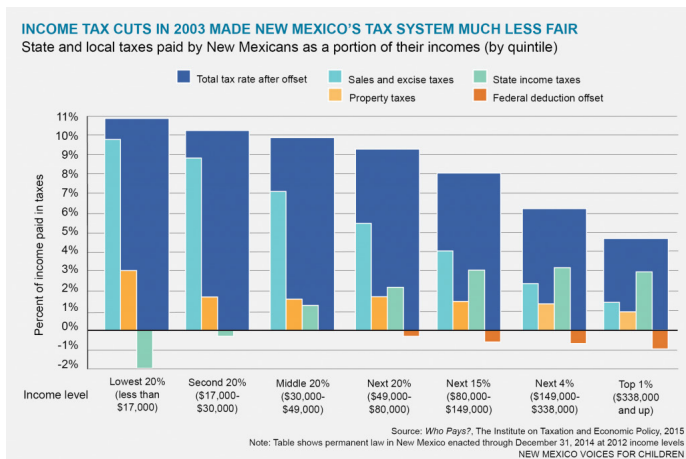


A blueprint for a state in the red

Written by By New Mexico Voices for Children
Friday, 14 October 2016 05:10



Part 2 of 2; continued from last week

The path to public investment

The path to a strong New Mexico begins with making smart investments. There are many common-sense ways to raise new money, create jobs, and bolster our economy:

- **Require all out-of-state corporations to pay income tax on their profits in New Mexico**

New Mexico is one of the few states that still allows out-of-state corporations to shift their New Mexico profits on paper to another state to avoid paying taxes here. We lose millions in revenue, and local businesses lose out. A partial fix (called Mandatory Combined Reporting) to this was enacted in 2013, but it exempted many profitable corporations such as banks.

Could raise \$25 million.

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• Increase the distribution from the Land Grant Permanent School Fund

New Mexico has the nation's second largest Land Grant Permanent School Fund. Legislators and voters could choose to increase the distribution of that fund for early childhood education, K-12 schools, and higher education.

Increasing the distribution by 2% could provide \$300 million.

• Enact a health care provider assessment

Instead of facing cuts in Medicaid reimbursement rates, many health care providers would prefer to be assessed a provider fee. The money collected could then be added to the state's Medicaid budget, allowing the state to draw down the federal matching money.

Amount raised would vary depending on rates.

• Raise alcohol and tobacco taxes and include e-cigarettes

These taxes could both increase revenue and deter young people from using products that are harmful to their health.

A 20% increase in both taxes could raise \$26 million; an increase in the alcohol tax of *25-cents a drink* could raise \$154 million.

• Increase the tax on the sale of motor vehicles

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New Mexico's excise tax on motor vehicles is lower than the general sales tax on most other goods purchased in the state. It's also lower than in surrounding states, and could stay lower even if this proposal is put into effect.

Could raise about \$100 million.

- **Decouple from certain federal income tax provisions**

When the federal government makes changes to the income tax code, those changes often affect state tax codes unless states take action. New Mexico could decouple from two current federal rules: bonus appreciation and the cancellation of indebtedness provision of the American Reinvestment and Recovery Act; as well as one potential rule: a deduction for domestic production activities.

Could raise between \$10-\$14 million.

- **Extend the gross receipts tax to more internet sales**

"Main street businesses"—those with a brick-and-mortar presence in New Mexico—pay gross receipts taxes on their internet sales here, but businesses without a physical location in the state don't. This exemption drains a lot of revenue from the state and puts local retailers at a competitive disadvantage.

Could raise \$10 million.

- **Enact a new tax on diesel fuel**

A large portion of this tax would be paid by out-of-state entities like interstate trucking

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companies.

Amount raised would vary depending on rates.

- **Enact a temporary increase in the gasoline tax**

While gas prices are low, New Mexico could enact a temporary hike in the taxes we pay at the pump. The tax could be set to automatically expire if fuel prices rise to a certain level.

Could raise \$60 million for every 5 cents per gallon.

And to help keep us in the black:

- **Require a tax expenditure budget in statute**

A tax expenditure budget allows legislators to see the hundreds of tax exemptions, deductions and credits they have enacted over the years. This makes it easier to review tax expenditures for their cost-effectiveness and repeal those that do not grow the economy. While the tax department does produce a tax expenditure budget under executive order, requiring one under state law would give legislators more authority over which expenditures are studied.

- **Require sunset provisions on all tax cuts, exemptions, deductions, and credits**

When Congress passes tax cuts, they always include a sunset, meaning they expire after a certain amount of time unless Congress acts to reauthorize them. This allows Congress to evaluate tax cuts and let those that do not have the desired economic impact to expire. New Mexico lawmakers have begun to add sunsets to their tax cuts, but Governor Martinez has been vetoing the sunset provisions. If a sunset was required under statute, the Governor could not

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veto it.

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