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***Better Choices New Mexico*** supports a balanced approach to addressing New Mexico's budgetary challenges. This alliance of small businesses, faith-based groups, working families, and nonprofit organizations believes cutting critical services and programs would be a terrible mistake. Instead, the Legislature needs to **open the books on tax expenditures, close the loopholes for out-of-state corporations, and rollback the tax breaks for the wealthy.**



### ***Better Choices Mean...***

- Leveling the playing field for all business owners
- Accountability tied to all corporate tax incentives
- Raising revenue in ways that promote fairness
- Promoting transparency in government that ensures efficient use of resources
- Repealing tax cuts for the highest earning New Mexicans

### ***Investing in New Mexico's Future***

- A healthy community and a strong, educated workforce are the best economic development
- Adequate resources for schools means successful students, prepared for opportunities in higher learning and/or in the workforce
- Funding for early childhood education prepares students for success

### ***Revenue Matters***

- Eliminating corporate tax loopholes promotes equity in state commerce by ensuring that all businesses pay their fair share of taxes
- Ongoing oversight of existing tax incentives provides the information necessary for lawmakers to determine which tax incentives are effective and beneficial
- Rolling back income tax cuts for those who benefited the most and who are not being asked to share in the sacrifice

### ***Get Involved!***

- Join the Better Choices New Mexico alliance by contacting Stephanie Maez-Gibson at (505) 410-0251 or emailing [smaez-gibson@nmvoices.org](mailto:smaez-gibson@nmvoices.org).
- You may also find and contact your legislators at <http://www.nmlegis.gov/lcs/legislatorsearch.aspx>

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***Tell your legislators: Before sending the bill to New Mexico's working families and small business owners, open the books, close the loopholes, and rollback the tax breaks!***

***That's the balanced approach New Mexico's budget needs to preserve our future and strengthen, rather than weaken, our economy during the recession.***

## POSSIBLE REVENUE GENERATORS:

**Reform corporate income tax law to mandate unitary combined reporting.** This would require multi-state corporations to pay their fair share of corporate income tax on the profits they make in New Mexico. These same corporations are paying income tax on their profits in nearly all of our neighboring states.

Would generate: *\$60-\$80 million*

**Roll back the cut in capital gains taxes.** Enacted in 2003, the capital gains tax cut slashed in half the amount paid on this unearned income. Most of this tax cut (76 percent) went to New Mexicans earning more than \$200,000.

Would generate: *\$51 million*

**Roll back personal income tax cuts for the highest income group.** Also enacted in 2003, the state's personal income tax cut benefitted primarily higher-income filers.<sup>4</sup>

Could generate as much as: *\$450 million*

**Add a surtax on higher incomes.** Over the last decade or two, the state's wealthiest residents have fared much better than the average New Mexican, whose income saw modest gains at best. A surtax on the top earners would help correct this growth in income inequity.

Each 1 percent surtax on filers with taxable incomes over \$100,000 would generate: *\$150 million*

Each 1 percent surtax on filers with taxable incomes over \$200,000 would generate: *\$80 million*

**Close the personal income tax loophole for high-income filers.** This would require filers who itemize (typically higher income earners) to add-back on their state form the federal deduction they received for state and local taxes paid. New Mexico is one of only a handful of states that still allows this deduction.

Would generate: *\$75 million*

**Raise so-called "sin" taxes.** Raising taxes on cigarettes have the added benefit of reducing use by youth, which saves millions in health costs down the line.

Cigarette tax of \$1 per-pack tax would generate: *\$31 million*

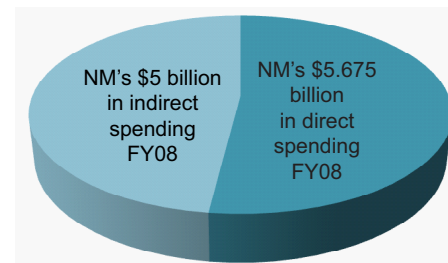
**Pull back unused capital outlay funds.** Some of the money appropriated for capital outlay projects has yet to be used (for a variety of reasons). Instead of sitting idle, that money could be put to work and, when revenue allows, re-appropriated later.

Would generate: *\$150 million*

**Repeal some gross receipts tax (GRT) deductions.** Actual revenue would depend on specific GRT deductions and exemptions, but some *\$5 billion* is spent this way every year.

**Require a Tax Expenditure Report.** Tax expenditures are exemptions and deductions, most of which benefit small groups, that have been made to the state tax code. Over the years they add up, but the accumulated cost is not scrutinized during the annual budgeting process the way direct spending is. A tax expenditure report would allow lawmakers to make better budgeting decisions. As shown in the chart below, tax expenditures cost New Mexico \$5 billion every year—almost as much as the entire budget. New Mexico is one of just nine states without a tax expenditure report.

### THE WHOLE BUDGET PICTURE



### Endnotes

1 Moody'sEconomy.com

2 This is the stated opinion of numerous noted economists, including Nobel Prize winner Joseph Stiglitz, Paul Krugman and Nick Johnson

3 "Tax Measures Help Balance State Budgets; A Common and Reasonable Response to Shortfalls," Nick Johnson, Andrew Nicholas and Steven Pennington, Center on Budget and Policy Priorities, July 9, 2009; <http://www.cbpp.org/cms/index.cfm?fa=view&id=2815>

4 Citizens for Tax Justice, Institute for Taxation and Economic Policy, custom analysis for New Mexico Voices for Children