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$206 Million in Potential Revenue

Analysis of New Mexico Tax Incentives Finds Lack of Transparency; Cost Controls Could Help Budget

Washington, DC—A study released today examining various tax incentives and tax accounting practices in New Mexico found that the state could gain more than $206 million per year by enacting safeguards common in other states. The study also finds that New Mexico lags behind most other states in making public relevant information about its tax incentive programs.

Those are the main conclusions of "Good Intentions versus Effective Outcomes," a study released today by Good Jobs First, a non-profit, non-partisan research center. The report is freely available at www.goodjobsfirst.org/goodintentions.

With Amazon.com's agreement to collect gross receipts tax on in-state sales, a fair application of the same tax to all online retailers could boost state revenues by almost $42 million. The state also has the opportunity to close a loophole that costs the state at least $27 million by fully enacting combined reporting (which prevents multi-state companies from shifting profits and tax burdens away from New Mexico). The study also recommends the phasing out of the High Wage Jobs Tax Credit program, which costs $70 million per year, and that the state also consider reversing a corporate income tax accounting rule (single sales factor apportionment) that costs the state $45 million per year and has not increased manufacturing jobs.

"By improving its incentive transparency and closing loopholes, New Mexico can create greater fairness in its tax code and help balance its budget," said Greg LeRoy, lead author of the report and Good Jobs First's executive director. "The same fairness issue applies as the state weighs whether to fully enact combined reporting, to prevent companies from shifting profits from New Mexico to other states like Delaware to avoid taxes."

The report also finds that New Mexico currently discloses online the names of companies receiving tax breaks for only one of its economic development programs. The state's tax expenditure reports stopped disclosing more than $900 million in annual tax breaks to the extractive industries in 2011.

The study also finds that state incentives favor large businesses over small firms in its allocation of economic development assistance. It recommends more assistance be targeted to small businesses through future disclosure and program-vetting reforms. The study generally recommends the state treat tax expenditures more like appropriations, and that they be sunsetted after two years, and subject to a performance audit before reauthorization.

In total these recommendations would enable the state to retain $206 million in revenue, enjoy greater predictability for state expenditures, and improve transparency for New Mexico's $2 billion in annual tax expenditures.

All of the findings and recommendations are solely those of Good Jobs First. Based in Washington DC, GJF was founded in 1998.

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