



Conservation Voters New Mexico 2010 Budget Priorities

Conservation Voters New Mexico recognizes the severe budget crisis facing the state. However, we are very concerned about the impact that any additional budget cuts will have on the implementation and enforcement of existing environmental laws. We urge the Legislature to aggressively pursue revenue enhancements that will enable New Mexico to protect our air and water quality, and the health of our families and communities.

We've already cut close to \$1 billion in agency budgets and programs, and we need to balance these cuts by generating more revenue to avoid compromising public health and welfare. The severity of the budget crisis convinces us that we can't afford to oppose any revenue enhancements. However, in considering revenue proposals, we need to focus on options that are fair and equitable, and impact the involuntary taxes of the smallest number of New Mexicans.

Here are some proposals that reflect our organizational values and mission. We urge the Legislature to **support:**

HB120	B Lujan	Tax Withholding Changes
HB143	Stewart	Deducted State Taxes as Income
HB250	Giannini	Soft Drink, Candy & Pastry Gross Receipts
HB270	Stewart	Add Back Certain Tax Deductions
SB10	B Sanchez	Narrow Food Tax Deduction to Staple Foods
SB25	Ortiz y Pino	Federal Deductions as State Taxable Income
SB31	Feldman & Picraux	No Soft Drink Gross Receipts Deduction
SB184	M Sanchez	Recovery Investment Bonding Act
SB208	MJ Garcia	Oil & Gas Tax Changes for Emergency Fund
SB243	Ortiz y Pino	Sweetened Beverage Excise Tax
SB255	Nava	Oil & Gas Tax Changes for Emergency Fund

There are a number of other revenue enhancement proposals we support, but which have not yet been introduced as legislation:

1) Motor Vehicle Excise Tax:

Currently, New Mexico's motor vehicle excise tax (3%) is significantly below that of surrounding states: Arizona (approx. 8%), Colorado (2.9% plus RTD & city taxes = 7.72% in Denver), Texas (6.25%) and Utah (approx. 6%). Raising the excise tax to a rate comparable to surrounding states could generate up to \$136 million, and would enhance economic efficiency by reducing the tax preference for vehicles. Administration of the tax is very simple and equitable relative to other measures.

NOTE: several bills have been introduced since the last edition of our legislative agenda that would increase motor vehicle excise or gas taxes (HB271, SB239, SB240). However, all three measures would earmark the raised revenues for road projects, which counteracts their positive environmental taxation effects, while failing to provide revenues to the general fund to relieve pressure on critical agencies' budgets.

2) Require Bonds for all Contractors:

A basic compliance issue is the disparity between the treatment of in-state contractors and out-of-state contractors with respect to bonds posted for payment of taxes. Applying the same requirements to in-state contractors would generate \$17 million annually, increasing steadily over time. More importantly, this proposal would increase revenues without raising the tax rate on taxpayers who currently pay their fair share - eliminating the unfair competition from businesses that don't.

3) Add Graduated Emergency School Tax Rates:

The production of oil and natural gas in New Mexico generates huge profits for producers, but we impose a flat tax on that production - not taking into account that when oil and gas prices are high, the additional revenue goes straight into the pockets of the producers, and New Mexico doesn't get a share of the large additional profits. New Mexico's oil and gas tax rates are relatively low compared to other producing states: we rank 8th of the nine largest producing states in combined tax and royalty rates. By imposing a graduated emergency school tax rate, which would also reduce the tax rates when prices are low (ensuring production continues even in a down-turn), we could generate an additional \$120 million annually to the general fund. This option would raise our rank one position (to 7th of the 9 largest oil and gas producing states), but we would remain far below the combined rates of Louisiana, Alaska, California, Texas, Oklahoma and Wyoming.

4) Repeal Coal Surtax Exemption:

Currently, coal is taxed at an effective rate much lower than oil or natural gas, and significantly lower than oil and gas based on energy content, carbon content and carbon dioxide emissions. There is also a discrepancy in the tax rates for exempt and non-exempt coal, which made sense when the surtax was first imposed, but has limited value now. Our coal would still have a significantly lower effective tax rate (8%) than the region's largest coal producer, Montana (11%), and would generate approximately \$23 million.