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## NM Budget Deal Details Emerge, Report Looks at Other Revenue Options

SANTA FE, N.M. - More details of a reported budget deal emerged as lawmakers made their way back to Santa Fe for the special session that began Monday afternoon. They include a funding cut of about two percent for most state agencies for next year, and a one-percent cut to public education funding, on top of cuts made in previous sessions.

New revenue sources, including an increase in the gross receipts tax and cigarette tax, are also said to be on the table, although a report by the *Institute on Taxation and Economic Policy* says this combination of cuts and taxes would be felt the most by low-income families.

Matt Gardner, the Institute's executive director, calls for a proper balance.

"If the goal is to make New Mexico's tax system less imbalanced and less unfair, then they really ought to be looking more at income-tax-based solutions and less at sales-tax solutions."

Gardner says New Mexico has an unusually large tax break in place on capital gains, which takes away funds that the state could be using to fill in gaps.

"This is just cutting a big hole out of your income tax base, and it offers little or no benefit to the vast majority of low- and middle-income taxpayers. So that seems like a pretty obvious candidate; close that loophole, treat all income the same way."

He says a proposed surtax on the highest-earning New Mexicans is one way to address the budget gap without hurting lower-income households that are already struggling. Opponents of the surtax say it could hurt the overall economy, but Gardner calls it more fair than most of the other options available.

Gardner says if lawmakers do end up hiking the gross receipts tax or 'GRT,' the impact on working families should be offset by increasing low-income tax credits.

"The earned income tax credit, or a sales-tax credit - y'know, this is a good, targeted way of making these inherently unfair GRT hikes a little bit less unfair."

Proponents of the increase believe it is the fairest way to deal with the budget shortfall, but Gardner disagrees. He sees it as a regressive tax that only adds to the overall unfairness of tax policy in the state.

The report and contact information are at [www.itepnet.org](http://www.itepnet.org)

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