

Tax Cuts and Tax Credits Are Important to Taxpayers

By Senator Pete Campos

The state of New Mexico's system of raising revenue to pay for essential services must be fair and efficient.

The money that you earn does not come easily, so policymakers must work diligently to make sure that the state's tax burden is appropriately balanced against its needs. Our tax system is complex, but each of us can understand the fact that it must be capable of raising sufficient dollars to provide basic public services.

Tax relief, whether in the form of general tax credits or narrowly targeted tax incentives, is an important part of any discussion about taxes. Tax relief can be an important tool for supporting good policies, such as cutting the gross receipts tax on food or medicine. Tax relief can also be a valuable way of supporting economic development, such as tax breaks for certain businesses. And tax relief can be a critical way of providing needed financial assistance to taxpayers, such as the income tax cuts that the legislature recently enacted.

It is important to remember, however, that tax relief in one area can have unintended consequences in another.

For example, tax relief for certain businesses may put other businesses at a competitive disadvantage. The bureaucratic paperwork that is required in order to take advantage of a particular tax incentive may be so cumbersome that the incentive is never used by the group it was intended to help. And general tax relief for most taxpayers can result in a decline in quality services being provided to all of us. For example, would we think a tax cut was important if it meant we would have fewer state police officers patrolling our highways?

When the legislature considers tax relief, as it will again this year, some tough questions should be asked and answered. What tax relief package does the most good for the most people? Can tax relief be targeted at the middle class? Are the benefits of specific tax incentives enough to outweigh the disadvantages that come from making the overall system less fair?

Because tax laws vary from state to state, a policy scan should be conducted

periodically to ensure that New Mexico is not placing itself at a competitive disadvantage because of its tax policies.

Any tax relief package that is adopted must assist the broadest range of taxpayers while protecting New Mexico's long-term financial interests. We cannot pursue the politically popular course of cutting taxes if doing so will be detrimental to our public schools, our health care system and our public safety programs.

It is also important that we constantly review our tax policy to ensure that tax incentives do not remain available longer than is necessary to accomplish their purposes. Including "sunset" provisions that automatically terminate a tax incentive is a good way to ensure that tax incentives do not linger on the books longer than is necessary.

New Mexico has a good tax policy, and the legislature has a good record of providing appropriate tax relief to New Mexicans. We will most likely approve tax relief again this session, and it is my goal to ensure that the tax relief we provide this year is as sound as the tax relief we have provided in the past.