



March 3, 2010

## **An Open Letter to the New Mexico Legislature: Spending Cuts “Something Taxpayers Can Live With”**

Dear Legislator:

Earlier this week, Senate President Tim Jennings called a massive package of tax increases “something we can all live with.” While this may be true for some legislators, hard-working New Mexicans will certainly be living less prosperously after handing over an extra \$230 million to state government. The true solution to the state’s budget deficit is simple: prudently trim back spending the way that families and businesses all across the state are doing. On behalf of the National Taxpayers Union’s (NTU’s) more than 2,900 members in New Mexico, I urge you reject each of the proposed tax increases in favor of targeted spending reductions.

While some insist that government must maintain its spending baseline despite plummeting tax revenues, a \$600 million budget cut would still leave the state general fund budget larger than it was in FY 2006. Recent memory suggests that New Mexico survived quite capably through the middle of the decade; the state unemployment rate actually dropped an entire point over the span of the fiscal year. Taking a prudently honed scalpel to the budget to return it to a condition seen just a few years ago will not cripple the state, but rather restore it to health without bleeding taxpayers for more.

The tax package would increase the levy on cigarettes by 82 percent, which the state estimates will raise an additional \$33 million in revenue. This assumption ignores the unstable and declining nature of cigarette tax revenue: Between 2003 and 2007, just one of every four state cigarette tax increases met its revenue projection. Just last week it was announced that Washington, D.C. actually experienced a net revenue loss after hiking the tax. This means that while politicians in Santa Fe are content to tie imaginary revenue to ongoing spending projects, taxpayers will end up footing the bill through higher levies on other goods, services, or activities down the road.

Also included among the tax proposals is a higher gross receipts tax. The fact that New Mexico levies a gross receipts tax at all is problematic – it is an opaque and confusing tax that hits businesses multiple times throughout the production process and hinders economic growth. Raising the rate will only further damage New Mexico’s competitiveness on the national stage.

New Mexico’s families are confronting reality and scaling back their monthly expenditures to ride out the economic downturn. There is no logical reason why their government can’t do the same. For the sake of all New Mexico taxpayers as well as our 2,900-plus members in the state, please oppose any tax increases and dedicate yourself to serious budget reform.

Sincerely,

Joshua Culling  
State Government Affairs Manager