



State of New Mexico

Office of the Governor

Bill Richardson
Governor

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Governor Bill Richardson highlights repeal of food tax; promises more tax cuts in 2005

SANTA FE - Governor Bill Richardson today highlighted the official repeal of the tax on food by bagging groceries at a local grocery store. The elimination of the regressive tax on food and medical services, which will benefit all New Mexico families, went into effect on Jan. 1.

“This is a middle class tax-cut and will truly benefit all New Mexicans,” Governor Richardson said.

Governor Richardson also promised a tax relief package for the 2005 legislative session that will lower the tax burden of 550,000 low and middle-income taxpayers, 50,000 single parents and every family trying to lower their back-to-school costs. If passed in the 2005 legislative session more than one million New Mexicans will see lower taxes since the day Governor Richardson took office.

The Food Tax is Gone

- Removing the food tax stretches a family’s food budget by eliminating a statewide average of 6 -1/2 in food tax. So, on every 100 dollars spent on food, New Mexicans will save \$6.50.
- A family making \$20,000 per year will save approximately \$137 per year on tax
- A family making \$32,000 per year will save approximately \$156 per year on food tax

- All New Mexico families will benefit - but the greatest benefits will go to lower income families.
- New Mexico's food tax was enacted in 1933 as part of a "temporary" and "emergency" measure to compensate for a severe shortfall in government revenues from property taxes that resulted from the Great Depression.
- Since 1933, New Mexico's food tax has more than doubled from its original rate of 2.5%. Currently, it ranges from 5.125% in the unincorporated areas of Catron County to 7.25% in Red River and Taos Ski Valley.

2005 Tax Relief Package

Tax Relief for Low- and Middle Income Households:

Proposal:

- Create a new \$3,000 exemption per person claimed as an exemption on the federal income tax return
- Benefits to more than 330,000 tax returns--representing almost 600 thousand New Mexicans--at an average of \$70 per return.
- \$3,000 would phase out gradually--benefits to taxpayers with income up to \$25,500 (single) and \$51,000 (married and single parent)
- Improve progressivity of the tax code
- General Fund revenue would be reduced \$22 million per year

Eliminate single parent penalty:

Proposal:

- Tax brackets will be modified so that single parents are treated the same as married couples
- 50,000 single parents will benefit an average of \$40 each
- General Fund revenue would be reduced \$2 million per year

Back-To-School Sales Tax Holiday For All New Mexicans:

Proposal:

- A gross receipts tax "holiday" will be provided on August 6, 2005
- No gross receipts tax will be imposed on retail sales of items costing less than \$2,500 each
- Back-to-school purchases of clothing and school supplies will benefit from the holiday
- Estimated revenue impacts: \$6 million State General Fund, \$4 million Local Governments

Economic Successes

Governor Richardson said his tax-relief package will help build on the success from tax cuts he successfully backed during his first two years in office. As a result of those tax cuts and aggressive job-recruitment efforts:

- New Mexico now ranks in the top ten in economic growth.

- 42,100 more New Mexicans are working today than were working in January of 2003
- Unemployment in New Mexico has dropped from 6.8% in January of 2003 to 5.2% in November of 2004
- New Mexico has had positive job growth for the last twenty months
- 2003 Tax Cuts Spurred New Mexico Economy and Lowered Personal Income Tax Rates From 8.2% to 4.9%
- These reductions have already saved 150,000 New Mexicans more than 20 million dollars. When fully implemented, 460,000 New Mexicans will save a combined total of \$360 million per year.
- Today, about 260,000 of the total 850,000 New Mexico tax returns in tax year 2003 have no tax liability
- New Mexico is also benefiting because retail sales are increasing, and personal income is growing statewide - a clear sign that the New Mexico economy is strong.

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