



Rio Grande Foundation tax and jobs plans

By Jim Kalvelage February 6, 2013

A proposal to end New Mexico's gross receipts tax as it is now know, and replace it with a 2 percent across-the-board consumption tax, has gotten the support of an organization that advocates a free-market, limited government perspective. Paul Gessing, president of the Rio Grande Foundation, said changes are needed to make New Mexico better economically. "Prosperity hinges on change," Gessing said in stops late last month in Ruidoso.

"We believe in simple, fair, flat taxes that create the right incentives for economic growth," Gessing said. "New Mexico has a very business unfriendly tax situation. Everything that happens in New Mexico generally happens so they (specific industries) get a government exemption or some kind of subsidy."

Gessing said the 10-year ago reduction in the personal income tax was a huge initial boon for New Mexico. But the economics of the last decade have changed, calling for tax reforms.

"The gross receipts tax is an issue we've looked at very closely," Gessing said. "It's a very confusing, non-transparent tax and it's one where you do get a lot of the exemptions brought in."

The Rio Grande Foundation advocates a low, flat GRT that covers everything.

"We don't want government officials picking and choosing winners and losers," Gessing said. Spaceport America, the Rail Runner, and the film industry subsidies were initiatives opposed by the foundation.

"It's one thing to exempt an industry or business from the tax. But

Advertisement

it's another thing for taxpayers to kick in 25 percent of your total expenses, which is done for the film industry."

Legislation that is expected to face an uphill struggle would end the corporate tax, the personal income tax, the compensating tax, and some others. Remaining to stand along side the proposed 2 percent consumption tax would be the state's gasoline tax, severance tax on natural resources like oil and gas, and property taxes.

"For a long time we have talked about a broad-based tax with very low rates," said sponsor Rep. Tom Taylor, R-Farmington. "The bill does exactly that," Taylor said of the approach somewhat similar to the original gross receipts tax of the 1960s.

Gessing said a low, flat tax would make the state attractive to new businesses, creating jobs. Combined with Right to Work legislation, Gessing said the state's economy could get a "jump start."

A bill introduced last week would, in part, prohibit union approval in hiring. The Employee Preference Act proposal, forwarded by Rep. Candy Spence Ezzell, R-Roswell, states an employer would not require a person to be recommended or approved through a labor organization as a condition of hiring, promoting or continuing employment.

"It's not anti-union. It's not anti-labor," Gessing said of a right to work status. "It is a policy that gives people the right to pick and choose whether they wish to be in a union or not, whereas if you don't have right to work and a workplace is unionized, you have to take and be in that union if you want to work in that business."

Gessing said right to work states tend to have more robust economies. He pointed to Texas as a prominent example.

"Corporations and businesses doing work in your state is something I think we all want more of," Gessing said. "I know we all love small businesses but ultimately having major corporations around is good for your economy. New Mexico has zero Fortune 500 companies in the state and could benefit from more business activity here."

Gessing said if the right policies had been in place from the get go, Microsoft founder Bill Gates would still be set up in Albuquerque.

About the Rio Grande Foundation. The foundation is described by Gessing as an economic policy research organization that also works on education policy matters. There is no lobbying.

Gessing likened the Rio Grande Foundation to Think New Mexico or at the national level, the Heritage Foundation or the CATO Institute.

"We come at our research at an inherently free-market, limited government perspective. We focus primarily on state and to a lesser extent local policies." Gessing said. "We also, as is inevitable, wind up seeing things that Washington does that impact us that we take a position and view but primarily it's the state and local stuff. Our mission is to make New Mexico a more economically prosperous place."