

## Think New Mexico: Work to Abolish the Food Tax

**A good place to begin to reform New Mexico's tax system is by abolishing the food tax.** Because we all eat and because so many New Mexicans live paycheck to paycheck, it would do the most good for the most New Mexicans.

New Mexico's food tax was enacted in 1933 during the Great Depression as part of an emergency temporary measure to compensate for a severe decline in government tax collections. The tax began at 2.5%. Although the emergency, the Great Depression, ended more than six decades ago, the food tax remains. In fact, it has more than doubled during the intervening 69 years.

The gross receipts tax in New Mexico now ranges from 5.125% to 7.1875%, depending on where in New Mexico you live. So, for example, \$100 of groceries costs \$105.81 in Albuquerque where the gross receipts tax is 5.8125%. Across the border in Texas, however, \$100 of groceries costs \$100 because Texas does not tax food.

Neither do our neighbors, Colorado or Arizona. Unfortunately, New Mexico is one of only nine states that continues to fully tax food.

The food tax is an anti-family tax. A typical family of four in New Mexico spends about \$225 per year on the food tax. Native American and Hispanic families are disproportionately burdened by it. That's because Native American households are nearly 50% larger than Anglo households in New Mexico, while Hispanic households are typically more than 20% larger than Anglo households,

according to U.S. Census Data. Larger families with more mouths to feed purchase more groceries and therefore pay more food tax.

The food tax is also a regressive tax. Low-income households spend a greater percentage of their household income on the food tax than do households from higher income brackets. For example, a New



Mexico household making between \$10,000 and \$14,999 spends 16.2% of their income on groceries, while a New Mexico household with income of greater than \$75,000 spends 3.8% of their income on groceries.

The food tax is especially counterproductive in New Mexico, where we have the highest percentage of households in the United States living with food insecurity, according to the U.S. Department of Agriculture ("USDA"). "Food insecure" households are defined as those that don't have enough to eat or don't know where the next meal is coming from. A recent study by the Center on Hunger and Poverty at Brandeis University found that

about 347,000 New Mexicans live in food insecure households, including about 150,000 children. While abolishing the food tax will not end hunger in New Mexico, it is part of the solution.

During the last session of the Legislature, a bipartisan bill was introduced by Senators Aragon (D. Albq.), Feldman (D. Albq.) and Gorham (R. Albq.) to abolish the food tax.

The bill, known as Senate Bill 148, was revenue neutral. It phased out the state's portion of the gross receipts tax on groceries and replaced the lost revenue by phasing in a 60 cent tax increase on a pack of cigarettes, or three pennies per cigarette. SB 148 passed the Senate by 35-4 and passed two other House committees before ultimately dying on the floor of the House in the waning moments of the session.

The current tax on a pack of cigarettes in New Mexico is 21 cents or about a penny per cigarette. To place New Mexico's tax in context, ten of the 14 states that tax cigarettes more lightly than New Mexico are considered tobacco-growing states, as defined by the USDA.

A sixty cents per pack increase would dramatically reduce smoking by teens in New Mexico because teens have the least amount of disposable income and are the most sensitive to an increase in the price of cigarettes. That is the best time to discourage smoking, as a recent poll by the New Mexico Department of Health found that about 75% of adult smokers in New Mexico began smoking before they were 18.

In addition, a reduction in smoking will reduce the burden on our public health care system at both the state and local level and that will lead to valuable cost savings for taxpayers.

Who supports abolishing the food tax? La Montanita Cooperative, Governor Bill Richardson, the Archbishop Michael Sheehan, the New Mexico Conference of Churches, New Mexico Family Council, the New Mexico Farmers' Marketing Association, the New Mexico Association of Food Banks and Common Cause New Mexico, among many others.

After seven decades, it is time to end the food tax in New Mexico. Please contact your local legislators and ask them to support legislation to repeal the food tax in the upcoming session, which begins on January 21, 2003.

Fred Nathan is the Executive Director of Think New Mexico, a statewide results-oriented think tank that is working to end New Mexico's antiquated and regressive food tax. For more info on the food tax, please visit Think New Mexico's website at [www.thinknewmexico.org](http://www.thinknewmexico.org).

by Fred Nathan