

Leave Food Tax Exemption Alone

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The Greater Albuquerque Chamber of Commerce recently proposed that New Mexico reimpose the tax on food. If the Chamber wants to raise taxes, a wiser strategy would be a targeted tax on junk food, rather than making necessities like fruits, vegetables and baby food more expensive for New Mexico families.

Gov. Bill Richardson and the legislature, led by Speaker Ben Lujan, thankfully abolished the food tax beginning in 2005. The tax had been enacted in 1933, as part of a "temporary" and "emergency" measure. But the food tax long outlasted the emergency of the Great Depression. In fact, between 1933 and 2005, it more than doubled from its original rate of 2.5 percent.

In 1958, 41 states taxed food. Since then, however, the states have moved steadily toward exempting food from tax. By the time New Mexico repealed its food tax, only seven states still fully taxed the sale of groceries.

Today, that number has dwindled to only two: Alabama and Mississippi.

The trend toward repealing the tax on food has been accelerated in part by the recognition that the food tax is a weak foundation on which to base essential government services. This is because food tax revenue grows so much more slowly than state and local government spending.

In the decade before the repeal, for example, revenue from the food tax grew at only a 1.7 percent annual rate, according to the Taxation and Revenue Department,

while state and local government spending grew at a rate of about 5 percent during the same period.

In addition, the food tax is an extremely regressive tax because those who are least able to afford it bear the greatest burden.

The Chamber argues that reimposing the food tax would not harm the poor because they receive food stamps. However, although the food stamp program has been around for nearly half a century, only 62 percent of eligible New Mexico families with children actually receive food stamps, according to an October 2008 study by the New Mexico Voices for Children. The other 38 percent, representing tens of thousands of families with children, would have to pay the entire tax if the food tax were reimposed.

Moreover, the food stamp benefit formula is based on the expectation that families will pay a portion of their food budget with income other than food stamps. The average monthly benefit per person in New Mexico is approximately \$93, or about \$3 per day. Thus, even the 62 percent of eligible New Mexicans who receive food stamps continue to pay for many of their groceries and would therefore still be hit hard by a food tax.

Food stamps provide no relief to struggling middle class families. In the midst of the greatest economic downturn in seven decades, it is wrong to increase taxes on working middle income families who are living paycheck to paycheck. Reimposing the food tax would cost the average family of four approximately \$250 annually.

The money that would be spent on a new food tax is money that these families would otherwise be able to spend on other

goods and services. In this sense, reimposing the food tax would function as a sort of anti-stimulus, draining dollars out of the economy.

While a food tax does nothing but harm, a junk food tax would do some good. It would, for instance, help combat New Mexico's growing obesity crisis, which would reduce health care expenses over the long term. In 1986, fewer than 10 percent of New Mexicans were obese, according to data from the Centers on Disease Control and Prevention. By 2008, over 25 percent of New Mexicans were obese.

In addition, according to a 2003 analysis by the Taxation and Revenue Department, a tax on candy and soft drinks would generate approximately \$22.4 million annually.

The health and economic benefits of a junk food tax explain why more and more states are enacting them. Thirty-three states tax soft drinks. Fifteen states tax candy. (In addition, Colorado Governor Ritter proposed taxing junk food just last month.)

The food tax is a regressive, anti-family tax on necessities, while a tax on junk food makes sense for a state struggling with an obesity epidemic. Please urge Gov. Richardson and your legislators to tax junk food, not fruit, vegetables and baby food.

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