



AP PHOTO

Sally Jo Wichmann and her 6 year-old son, Cody Chandler, say a prayer thanking God for the food on their table before eating dinner Tuesday at their Albuquerque home. Wichmann said the amount of tax she pays on her groceries would oth-

erwise go a long way for her and her son. Her spending limit on groceries is about \$60 every two weeks. Wichmann is among the many New Mexico families that make too much to qualify for any kind of state or federal assistance.

# End of food tax proposed

ALBUQUERQUE (AP) — Buy \$100 worth of groceries. Pay at least \$5.80 in tax.

That doesn't seem like much, but it adds up to about \$225 a year for a typical family of four in New Mexico. Thousands of families here look at it as money that could have gone to buy more groceries or pay bills.

Sally Jo Wichmann, 31, of Albuquerque, said the amount of tax she pays on her food would otherwise go a long way for her and her 6-year-old son.

"It would help me a lot because I get down to where I have to decide, 'Should I buy peanut butter for his lunch, or should I buy toothpaste?' They're both important, but which is more important?"

Wichmann, whose limit on groceries is about \$60 every two weeks, is among the many New Mexico families that earn too much to qualify for any kind of state or federal assistance. A family of two would have to make less than \$15,000 a year to qualify for food stamps.

Albuquerque resident Candice Horton, 35, and her 12-year-old son are in the same situation.

"You make too much money but you don't make enough to survive," she said. "There's gas to drive to work, utility bills and your rent. There's just not anything left over."

New Mexico has the highest rate of hunger in the nation, according to an Agriculture Department study, and is one of nine states that fully tax food. In New Mexico, food is included in an overall gross receipts tax on goods and services — an outgrowth of a general sales tax implemented during the Great Depression.

The obstacle to ending the food tax is money; the state's general fund receives about \$50 million annually, and city and county governments receive about \$40 million.

Members of an independent think tank have come up with a plan that could help New Mexico replace that revenue and help people like Wichmann and Horton find a few extra dollars in their family budgets.

Think New Mexico is asking the state Legislature to lift the tax on food and offset the loss of revenue by raising the tax on cigarettes by about 60 cents a package over three years.

"Because all of us eat, everyone in New Mexico would receive some benefit by making

food tax exempt," said Fred Nathan, founder and executive director of Think New Mexico.

Sens. Manny Aragon, D-Albuquerque, and Ramsay Gorham, R-Albuquerque, plan to introduce bills in support of Think New Mexico's plan.

A handful of New Mexico lawmakers have considered abolishing the food tax over the years but their bills were killed in committee. Three states — Georgia, Louisiana and North Carolina — have acted in the last five years to end their food taxes. In five other states, food is taxed but families are eligible for specific credits or rebates.

Low-income families would benefit most from doing away with the food tax, according to a report by Think New Mexico. It says families would be better able to support themselves with a low-wage job if they didn't have the burden of paying tax on food.

The report also says the food tax is especially counterproductive in New Mexico. The recent Agriculture Department study found that 15 percent of New Mexico households didn't have enough food in 1996-98. Nationally, 10 million families, or 9.7 percent of American households, worried about food.

For Pat Bean, an Albuquerque mother of two who recently bought her first home, money not spent on the food tax would buy a tank of gas, voice lessons for her daughter or more groceries. She said it's only fair to shift the burden to tobacco.

"They can increase the tax on cigarettes \$1. No one needs to smoke anyway," said Bean, 47. "Three dollars for a pack of cigarettes? Do you know what I could buy with \$3?"

The idea of eliminating the food tax is popular among lawmakers but a slumping economy and flat state revenues are likely to push the proposal to the back burner this session.

"This year, basically with the economy the way it is and the events that have happened since September, I think we are just hoping we can hold our own," said Senate GOP Leader Stuart Ingle of Portales. "We need to get the budget done."

Gov. Gary Johnson says the food tax is regressive. "I would certainly support the repeal of food tax," he said recently. "But again, given my druthers, I'd put it all into income tax reduction."

Think New Mexico's plan is

## Food tax info

### ■ Percentage of income

#### Associated Press

Here is a look at the percentage of income spent on groceries in New Mexico. The figures were compiled for Think New Mexico by Kelly O'Donnell, a former senior economist with the New Mexico Taxation and Revenue Department.

Income range	Grocery %
\$2,500-4,999.....	36.9
\$5,000-9,999.....	24.1
\$10,000-14,999.....	16.2
\$15,000-19,999.....	12.7
\$20,000-29,999.....	10.2
\$30,000-39,999.....	7.8
\$40,000-49,999.....	7.0
\$50,000-59,999.....	5.9
\$75,000 and up.....	3.8

### ■ Food tax states

Thirty-three states and the District of Columbia do not tax food. Here is a list of the states that do:

#### States that fully tax food:

Alabama, Arkansas, Hawaii, Mississippi, New Mexico, South Carolina, Tennessee, Utah, West Virginia

### States that tax food at lower rates than other goods:

Illinois, Missouri, Virginia

### States that tax food but provide a credit or rebate:

Idaho, Kansas, Oklahoma, South Dakota, Wyoming

Source: Federation of Tax Administrators, National Conference of State Legislatures and the Center on Budget and Policy Priorities.

### ■ Hunger stats

Here is a list of the 10 states with the highest prevalence of hunger and food insecurity from 1996-1998, according to an October 1999 study by the U.S. Agriculture Department.

State	Percentage
New Mexico .....	15.1
Mississippi .....	14.0
Texas .....	12.9
Arizona .....	12.8
Louisiana .....	12.8
Arkansas .....	12.6
Oregon .....	12.6
Washington .....	11.9
Oklahoma .....	11.9
Florida .....	11.5
National Average .....	9.7

somewhat of a two-step plan, with the first step focusing on replacing lost state revenue. The group says increasing the cigarette tax by 60 cents over three years would generate about \$50.4 million for the state.

A plan to replace lost city and county revenues would come later. Think New Mexico has suggested that local governments be given statutory authority to raise liquor excise taxes to make up their loss.

Bill Fulginiti, executive director of the New Mexico Municipal League, said the option for taxing liquor would not work.

He used Edgewood as an example, saying it has one grocery store that accounts for most of its gross receipts taxes and only a couple of liquor establishments that wouldn't be able to make up the loss.

"We're not opposed to Think New Mexico's plan but it may not work in its present form," Fulginiti said. "I'm just saying how are we going to get it done?"

Tom Ryan, a spokesman for Philip Morris USA, cautions

that cigarette tax revenues aren't a reliable source of income for states, especially when coupled with high tax increases.

"Excise taxes on tobacco often fall short of expectations," he said. "Some people might decide to smoke less or stop smoking all together."

Ryan explained that New Mexico's tax revenues may fall short if smokers buy cigarettes from Indian reservations where they don't have to pay tax or if they travel to neighboring states that have lower taxes.

For Wichmann and thousands of other New Mexico families, it all comes back to finding a way to get by. And the way things are set up in New Mexico, Wichmann says, it would be better to be without a job.

"Then you're spending time with your children, you have enough to eat because the state's helping you and you can go back to school."

But for her, going to work and paying the bills is a better example for her son. "You teach your kids that you just can't not do what you need to do," she said.