

Municipal League's plan to renew food tax gets chilly reception

By Milan Simonich

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Perhaps nothing stirs up opposition faster than a plan to tax food and groceries.

Bill Fulginiti, executive director of the New Mexico Municipal League, appeared Friday before a committee of the Legislature to ask for reinstatement of a state tax on food. Fulginiti said this change would broaden the tax base of all 106 cities in New Mexico and actually cost consumers less money because his plan would reduce the state's gross receipts tax.

Reaction from various state lawmakers, Gov. Susana Martinez and an organization that studies public policy was so swift and cold that Fulginiti's bill may be dead already, a full month before the Legislature goes into session.

"The governor has long opposed — and continues to oppose — a tax on food and groceries in New Mexico," said Martinez's press secretary, Enrique Knell.

A Republican who was re-elected in a landslide last month, Martinez frequently criticized her opponent, Democrat Gary King, because he voted for a tax increase in 1987 when he was a state representative. At the time, New Mexico still taxed groceries, a point Martinez hit hard in campaign ads attacking King.

The state House of Representatives likely would fall in line with Martinez. Republicans are about to take control of the House for the first time since 1954.

Two Democratic legislators also were cool toward a food tax after hearing Fulginiti's pitch.

Sen. Peter Wirth, D-Santa Fe, said "the political toxicity" of a tax on food is undeniable.

Rep. Brian Egolf, D-Santa Fe, said he disliked the idea of taxing food and groceries.

"Let's look at a different fix," he said.

Egolf said cities and counties are complaining, without justification in his view, because the state next year will begin withdrawing funding that these local governments have received since the Legislature repealed taxes on food and medical services in 2005.

The state next year will begin phasing out those reimbursements to local governments.

Fulginiti told lawmakers that 10 counties and four cities in New Mexico have raised taxes since the Legislature and Martinez cut corporate taxes in 2013 and announced the forthcoming revenue cuts to

local governments.

Because cities would lose money, the Legislature and Martinez gave them the authority to raise their own gross receipts tax by three-eighths of a cent.

Fulginiti said in an interview that he knows taxing food and groceries sounds burdensome, especially to people living paycheck to paycheck. But with cities already empowered to raise taxes on other household essentials, consumers can face even larger costs than a food tax would create, he said.

Santa Fe Mayor Javier Gonzales disagreed with that assessment.

“I am absolutely opposed to a food tax,” he said in an interview. “This is not a place we want to go. We know it’s a regressive tax that hits hardest on the people who can least afford it.”

Gonzales said he expects the city government to take a stand like his own.

Even with local governments under pressure to find new sources of money, taxing food is a bad idea, said Fred Nathan, executive director of the policy organization Think New Mexico.

“New Mexico faces many challenges, but the fact that we no longer tax fruits, vegetables and baby food is not one of them,” Nathan said.

The state has 337 other tax exemptions, mostly tailored narrowly to help select groups or businesses, Nathan said. Those exceptions could be reviewed to see which ones might be repealed to generate more tax revenue, he said.

Fulginiti said cities voted 67-1 at the Municipal League’s annual convention to support a food tax as a means of stabilizing tax revenue.

Repealing a tax exemption on locomotive fuel or a particular business sector will not help cities across the board, he said. But a tax on food would reach every city treasury, Fulginiti said.

State Rep. Jim Trujillo, D-Santa Fe, said he will carry the bill on food taxes for the Municipal League.

“I believe in it,” Trujillo said in an interview. “You’re going to have to pay, either way.”

He said the pluses of the Municipal League’s proposal for a food tax outweigh the negatives.

The city of Santa Fe expects a loss next year of \$660,000 in state revenues because of the tax bill that legislators approved in 2013, Trujillo said. A food tax would offset that, he said. Low-income people could qualify for exemptions to the food tax, Fulginiti said.

Nathan does not accept their arguments.

“The public does not want regressive taxes on necessities,” he said.

Nathan cited the defeat of Gary King’s father, the late governor Bruce King, in the 1994 election

after he pushed through a tax increase on gasoline.

Nathan said Martinez's opposition to a food tax essentially ends the debate. The bill cannot pass without the governor's support, so the municipal league should come up with another idea, he said.

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