

# Fred Nathan: Re-imposing the food tax doesn't add up

*By Fred Nathan*

*Guest column*

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The best state sales tax systems (or gross receipts tax, or GRT, as it is called in New Mexico) are broad, low, and don't tax necessities, such as food.

If tax systems are broad and low, that means that the tax burden is shared widely by different products and services and doesn't fall too heavily on any one sector. Meanwhile most states avoid taxing necessities so that citizens who live paycheck to paycheck are not forced to choose between paying the rent and putting food on the table.

Unfortunately, New Mexico's gross receipts tax is neither broad nor low. At last count, there were 338 exemptions for everything from boxing matches to all-terrain vehicles, and these breaks significantly narrow the tax base. The GRT also averages more than 7.25 percent across New Mexico, which is relatively high.

The one area where New Mexico's GRT gets it right is the fact that, since 2005, New Mexico no longer taxes food or medical services. This was an important reform, since the food tax not only fell on a necessity, it fell hardest on those who could least afford it.

Unfortunately, the New Mexico Municipal League and Eunice Mayor Jonnie "Matt" White are proposing to fix the one thing about New Mexico's GRT that is not broken, the fact that we no longer tax food.

New Mexico was the second state to tax food in 1933, during the heart of the Great Depression. (Mississippi was the first.) It was enacted as a "temporary" and "emergency" tax but it hung around for more than seven decades and more than tripled in most places in the state during that period.

When it was finally repealed, the Legislature enacted a "hold harmless" provision to compensate cities for their lost share of the food tax. However in 2013, the Legislature voted to phase out the hold harmless payments over a 17-year period and gave cities the ability to raise their (non-food) taxes by three-eighths of 1 percent.

Although Mayor White clearly has concerns about this change, he never explains why the solution isn't simply to restore the hold harmless payments rather than reimposing the food tax.

Instead, Mayor White claims that the repeal of the food tax "did not help the disadvantaged" because he implies that they purchase all their groceries with food stamps. That is simply not true.

Mayor White relies on the common misperception that food stamps cover the full cost of a low-income family's food needs. Actually, the purpose of the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, is to supplement a family's food budget, not replace it.

The average New Mexican using food stamps receives about \$4.09 a day, or about \$1.36 per meal. That is why the federal food stamp formula assumes that families will spend an additional 30 percent of their net income on food in order to afford an adequate diet. As a result, every family receiving food stamps still pays for a large portion of their groceries out of pocket and they benefit from the Legislature's decision to repeal the food tax.

In addition, about 33 percent of families who qualify for food stamps are not enrolled. They constitute more than 130,000 low-income New Mexicans, including tens of thousands of children, who would be paying tax on all of their groceries if the food tax were reimposed. Mayor White also neglects to explain why it makes sense to tax seniors on fixed incomes and working, middle class New Mexicans on their purchases of fruits, vegetables and baby food.

New Mexico is now one of 34 states that do not tax food. It is concerning that the Municipal League believes that New Mexico should instead pattern itself after Mississippi and Alabama, two of the states that continue to tax food.

Thankfully, not every mayor and city councilor agrees with Mayor White and the Municipal League. Albuquerque Mayor Richard Berry is losing \$2.2 million of hold harmless payments and has a \$14 million shortfall to close but he is not seeking to tax food or anything else.

Likewise, Democratic Mayor Javier Gonzales of Santa Fe and Republican Mayor Dennis Kintigh of Roswell have also broken ranks with the Municipal League over the food tax.

Please visit [thinknewmexico.org](http://thinknewmexico.org) to learn more and ask your mayor, city councilors and legislators to oppose the reimposition of the food tax.

Fred Nathan is executive director of Think New Mexico, an independent, statewide, results-oriented think tank which led the effort to repeal the food tax.

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