



State of New Mexico
OFFICE OF THE STATE AUDITOR

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State Auditor Tim Keller Outlines Special Session Deadline Risks and Tallies Tax Breaks
Provides information to Administration, Legislature to inform special session decisions

SANTA FE, NM – State Auditor Tim Keller outlined critical information for consideration during the current Legislative special session. First, the Office of the State Auditor (OSA) highlighted the deadline of June 22, 2017 as the point at which State government will be at high risk for a partial government shutdown and a lesser bond rating if the budget is not law. Second, the OSA tallied more than \$1 billion in tax breaks in New Mexico for ongoing and future tax reform decisions, with helpful collaboration from the Taxation and Revenue Department (TRD). The OSA summary contains a broader array of tax breaks than what is included in the annual TRD tax expenditure report.

“Even if the special session moves quickly, the clock is ticking on procedures that must take place to avoid a partial government shutdown or a hit to our bond rating,” cautioned State Auditor Tim Keller. “The budget for higher educational institutions and the Legislature must be passed, enrolled and engrossed and signed by the Governor or overridden by the Legislature by June 22nd in order for state functions to proceed normally. Our state is facing high financial risk if we see vetoes or other delays.”

As discussions of piecemeal or comprehensive tax reform take place, the OSA noted the following:

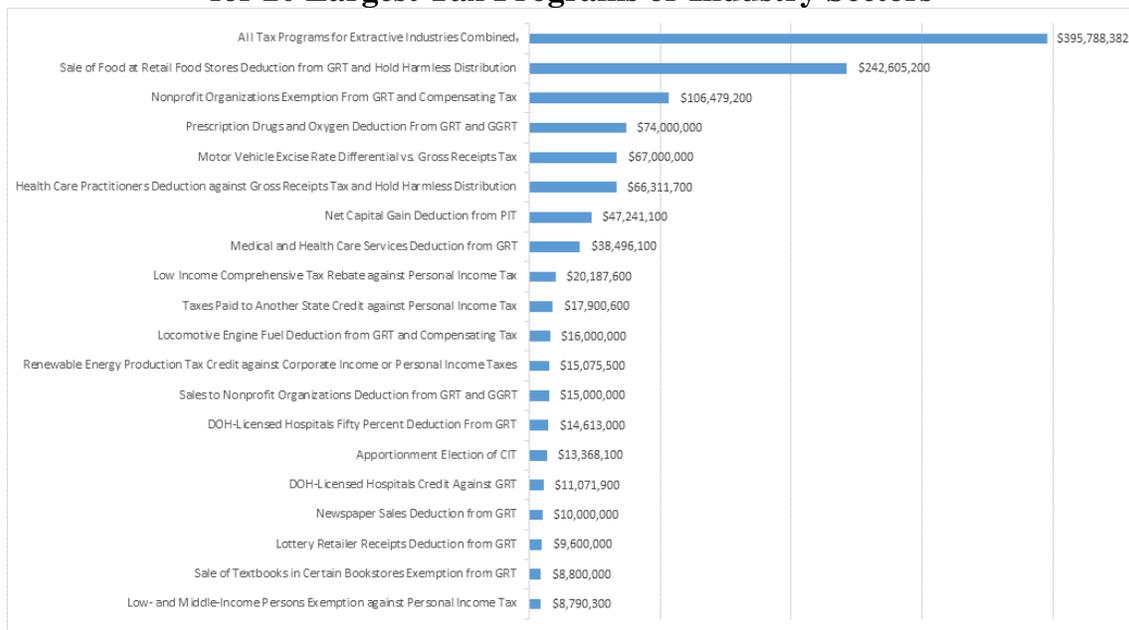
- The largest share of revenue that the state does not collect as a result of tax breaks comes from the extractive industry (27%).
- Gross receipts taxes included in recent discussions of tax reform only make up one-quarter of the state’s tax breaks. Comprehensive tax reform should include an assessment of extractive industry exemptions and other tax exemptions.
- Of 180 tax breaks the OSA has identified, 23 of them have no data available. Lack of transparency on tax breaks stems in part from the Taxpayer Protection Act. For example, little information was available on large tax breaks in the uranium industry because there are fewer than three taxpayers who use these tax breaks and as such the information is confidential under the Act. The Legislature should consider whether companies who use such generous tax incentives should waive some of their privacy rights so the public can assess whether those programs are working.
- The OSA recommends that the New Mexico Legislature conduct an in-depth examination of tax programs and their relative returns on investment, a best practice followed by most other states. Legislation carried by then-Senator Keller calling for such reporting passed twice with broad bipartisan support and was vetoed under two different Governors in 2009 and 2011.

“Last year, we gave over \$1 billion dollars in tax revenue to different types of tax breaks with little understanding of whether they are helping to create jobs and strengthen our economy,” stated Keller. “For years, we’ve fought for comprehensive reporting because it’s the key to understanding where to double down and where to stop giving away our tax dollars without a return on investment. It is encouraging that these issues will hopefully be studied and reviewed thoroughly, and we are committed to help bring transparency to the process for the taxpayers.”

The information compiled by the OSA is available here:

www.saonm.org/media/uploads/OSA_Letter_to_Legislature_re_Tax_Reform_and_Budget_Deadline_5-24-17.pdf

Tax Breaks (Revenue Not Collected) for 20 Largest Tax Programs or Industry Sectors



Revenue Not Collected by All Tax Breaks (Number in parentheses is the number of programs in the category)

