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**State Auditor Tim Keller's Report on New Mexico's "Swiss Cheese" Tax Code  
Featured in Bloomberg BNA**

*\$1 billion worth of tax breaks lacks transparency, comprehensive reporting*

SANTA FE, NM – The national news outlet Bloomberg BNA featured an article about State Auditor Tim Keller's report shining a light on New Mexico's "Swiss Cheese" tax code. The Office of the State Auditor (OSA) tallied more than \$1 billion in tax breaks that the state gave with little reporting to determine return on investment.

Please see the article about the report on the following page.

The full OSA report is available here: [https://www.saonm.org/media/news\\_pdf/9-15-17\\_OSA\\_Report\\_on\\_Tax\\_Choices.pdf](https://www.saonm.org/media/news_pdf/9-15-17_OSA_Report_on_Tax_Choices.pdf).

*The Office of the State Auditor helps government work better by providing transparency and accountability for government spending; informing policy choices; and tackling fraud, waste and abuse. OSA is an independently elected executive agency responsible for examining the use of public dollars in New Mexico.*

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*Tax Incentives***\$1 Billion in New Mexico Tax Breaks Lacks Transparency: Report**

New Mexico awarded more than \$1 billion in tax breaks last year but has little information on their impact or efficacy, according to a new report from the Office of the State Auditor.

An analysis of the state's various tax programs shows holes in the information collected and a lack of transparency surrounding who benefits, State Auditor Tim Keller told Bloomberg BNA. Of the 180 tax breaks his office identified, 23 had no data.

Keller is recommending the New Mexico Legislature require extra reporting on tax incentives and analyze the returns on investment of state programs. He presented the findings to legislators last week.

The report comes after failed tax reform battles earlier this year and a significant state budget shortfall that took legislators into special session. Keller said the information aims to "shine a light on the big picture" to understand how much money is at stake.

**New Mexico 'Really Behind'** Keller said he was motivated to compile New Mexico's tax programs after serving in the Legislature and finding a dearth of data on spending. His analysis goes beyond what's required in an annual Taxation and Revenue Department tax expenditure report.

The largest programs target extractive industries, providing roughly \$396 million in tax breaks, according to the report. It also looked at gross receipts tax exemptions for nonprofit organizations and deductions for food sales, among other programs.

But the compilation is only an estimate of New Mexico's uncollected revenue, Keller said. The most recent

data for some programs dates back several years. Other incentives are obscured under privacy protections.

Keller is advocating for annual data collection on the programs and public return on investment calculations to align with other states.

"New Mexico is really behind," he said.

**More States Evaluating Incentives** A recent report by The Pew Charitable Trusts ranked New Mexico as "trailing" in its evaluation of tax incentives. The state requires reporting under a 2011 executive order by Gov. Susana Martinez (R), but provides little economic analysis, said Josh Goodman, senior officer of economic development and state fiscal health at Pew.

That inventory doesn't "go the next step" to inform policy changes, he said. The report recommends that trailing states implement a consistent evaluation process, which has gained momentum over the past five years, Goodman said.

"New Mexico has an opportunity to join this movement throughout the country," he said.

In addition, at the local level, more data on tax abatements will soon be available through reporting under the new Government Accounting Standards Board Statement No. 77. Beginning this year, GASB 77 requires state and local governments to disclose in their financial statements how much revenue was lost to tax abatements for economic development.

The state auditor's office will start receiving information from agencies about their tax-abatement agreements in October, Keller said. The office will compile them and share online, he said.

BY BRENNA GOTH

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Text of the report is at <http://src.bna.com/sFk>.