



March 15, 2021

To: Members of the New Mexico Senate
From: Americans for Tax Reform and the Rio Grande Foundation

Re: Oppose House Bill 291

Dear Senator,

On behalf of Americans for Tax Reform (ATR), the Rio Grande Foundation, and our supporters across New Mexico, **we urge you to oppose House Bill 291, legislation that would raise the personal income tax, the corporate income tax, and the tobacco tax.** If implemented, **this bill would inflict a great deal of financial harm on individual taxpayers, families, and small businesses across the Land of Enchantment at a time when they can least afford it.**

Under the status quo, **New Mexico's top marginal individual income tax rate of 5.9% – the part of the income tax that is most often used to make decisions about investment – is not competitive.** Nine states – including New Mexico's neighbor Texas – do not tax wage income. Nineteen more states – including New Mexico's neighbors Colorado, Oklahoma, and Utah – have top rates that are lower than New Mexico's. And, as people and jobs continue to move into states that do not impose income, more and more states – including New Mexico's neighbor Arizona – are currently looking to phase out their income taxes.

New Mexico should be focused on reducing and phasing out the state income tax in order to become competitive. But instead, HB 291 would move the Land of Enchantment in the wrong direction. Under HB 291, **New Mexico's top income tax rate would increase by more than 10% to 6.5%.** This massive tax hike would make New Mexico even less attractive to businesses looking to expand, investors looking for opportunities in growing economies, and families looking for greater prosperity. In fact, **it would likely drive current residents and small businesses, which overwhelmingly pay their income taxes on the personal side of the code, away to lower tax states.**

HB 291 would also hurt the most vulnerable in society by increasing the highly regressive tax on tobacco, which is currently one of the highest in the nation. New Mexico's tobacco tax is already responsible for over 35% of all tobacco being sold on the black market, and HB 291 would exacerbate this problem, causing black market tobacco sales to skyrocket.

Even worse, **HB 291 proposes staggering tax increases of over 400% on people trying to quit smoking through reduced risk tobacco alternatives such as e-cigarettes,** which are proven to be 95% safer than traditional tobacco, and according to Georgetown University Medical Center could save over 50,000 lives in the state of New Mexico. **HB 291 would also increase the tax on smokeless tobacco,** which the FDA has authorized to be marketed specifically stating that using them “instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis.” **To increase taxes on products proven to save lives – leading to more people continuing to smoke combustible cigarettes – would violate every rule of appropriate public health policy.**

Alarming, the bad news with HB 291 does not end there. **It would also increase the corporate income tax – which is borne by workers in the form of lower wages – by almost 30%, taking the rate from 5.9% to 7.6%.** New Mexico's current corporate income tax rate is already a huge detriment to growth and investment. **It is the 2nd highest rate in the region and looks particularly unattractive compared to its neighbor Texas, which is one of the six states that do not impose a corporate income tax.**

Under HB 291, New Mexico's corporate income tax would be even less conducive to growth and even more of a deterrent to businesses and investment. **A corporate tax rate of 7.6% would give New Mexico the unwelcome distinction of being home to the highest corporate income tax rate in the region and would surely cost jobs and pay raises.**

While HB 291 would reduce the New Mexico's job killing Gross Receipts Tax by less than 2.5% percent, taking the rate from 5.125% to 5%, the economic harm that would stem from the numerous other tax hikes included in this bill would more than counteract any good that would come from that small tax cut.

HB 291 would make New Mexico significantly less attractive to businesses and investment. Even worse, it would take even more money from individual taxpayers, families, and small businesses at a time when they can least afford it. **ATR and RGF strongly oppose HB 291 and urge you to vote NO.** A vote in support of HB 291 or any other piece of legislation that is scored as a net tax hike would be a violation of the Taxpayer Protection Pledge.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

Paul Gessing
President, Rio Grande Foundation