

The real cost of tax reform

If bill becomes law N.M. could lose millions from oil, gas

By Andrew Oxford, *The New Mexican*

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New Mexico could lose hundreds of millions of dollars a year in revenue from oil and gas produced on federal lands if lawmakers approve a tax-reform plan wending its way through Congress, top legislators warned Tuesday.

State budget watchers say the Republican proposal – part of sprawling legislation the White House has made a priority – could devastate New Mexico's finances following recent rounds of budget cuts.

Federal law automatically triggers budget cuts if Congress does not fully cover the cost of legislation it passes, a process known as sequestration. The Congressional Budget Office told lawmakers earlier this month that if tax reform ends up raising the federal deficit by \$1.5 trillion over the next decade, as budget officials expect it might, the Pay As You Go Act calls for cuts during the first year of \$25 billion to Medicare and \$111 billion to various accounts across government – including the money from oil and gas production on public lands that is usually split down the middle with Western states.

While the U.S. House of Representatives has already approved a tax-reform plan, the U.S. Senate could vote on its own bill as early this week.

“Loss of [mineral] revenues, which primarily fund public education in New Mexico, would have a devastating impact on the state's budget and would wipe out the reserves our state has struggled to rebuild,” Legislative Finance Committee Chairwoman Patricia Lundstrom and co-Chairman John Arthur Smith wrote to New Mexico's congressional delegation.

The letter notes the federal government paid New Mexico \$435.7 million for mineral rights in the fiscal year that ended in June, amounting to seven percent of the state's total revenues, the letter said.

That funding was key in propping up the state budget amid projected shortfalls that have prompted rounds of cuts in recent years.

“The bottom line is that this tax bill is a scam that would not only leave taxpayers with less money in their pockets, it would leave the state with fewer resources to meet their needs, and that's a devastating combination,” said Sen. Tom Udall, D-N.M.

In a recent analysis, the left-leaning Center for American Progress said the cuts would mean states lose all mineral payments from the federal government next year and that those cuts would continue for a decade. That amounts to about \$1.3 billion annually for western states, according to the center's analysis.

“This has been an under-reported issue sort of looming in the background,” said Jenny Rowland, the center’s manager for research and advocacy on public lands.

But it also reflects the degree to which New Mexico is still reliant on oil and gas for much of its economy.

Congress can waive the required cuts. But that would likely require approval from 60 out of 100 senators. Republicans do not have that large a majority and observers say Democrats are not inclined to go along with the GOP tax plan.

Republicans, including U.S. Rep. Steve Pearce, who voted for the House version, maintain tax reform will cut rates and in turn spur economic growth.

A bill the U.S. Senate is considering would cut the corporate tax rate, nearly double the standard deduction and keep in place a string of popular deductions.

Democrats maintain the plan amounts to a giveaway for the wealthy.

“Republicans cannot afford the tax cuts they want and instead are blowing a \$1.5 trillion hole in the national deficit that will force future cuts down the road,” said Sen. Martin Heinrich, D-N.M.

This story first appeared in The New Mexican, a sibling publication of The Taos News. Contact Andrew Oxford at (505) 986-3093 or aoxford@sfnewmexican.com. Follow him on Twitter @ andrewboxford.