

OMG 2% GRT

What if????????

So What About:

Pyramiding

Personal Income Tax

Property Sales / Rents

Agriculture

Promises to specific businesses

Raises TOO much money / Doesn't raise enough money

Compensating tax

Future Legislatures running amok

Conclusion

Pyramiding

(Refer to "Pyramiding chart")

Taxing a \$400.00 Thig-a-ma-bob with total Pyramiding v current system

With total pyramiding at 2% GRT = \$5.50

Corporate Income Tax under current system = \$15.82

Total saving to Corporations \$10.32 (65% saving in taxation)

With total pyramiding at 2% GRT = \$5.50 to consumer

Under the rattlesnake system today GRT = \$30.00 (7.5% Average) + hidden taxes of \$15.82 = \$45.82

Saving to consumer = \$40.32

88%+ tax saving to the consumer

Consumers have a reason to buy New Mexico products

But wait there is more!

Now manufacturing has a reason to manufacture in New Mexico

THE PIE GROWS

More people are earn a living

Human Dignity increases

More people are paying tax

Personal Income Tax

Yes, personal income is a gross receipt to the individual – so it is subject to 2%GRT

But that is not fair!

Let us compare

4.9%	Rate	2%
\$50,000	Total Income	\$50,000
\$15,000	Deductions	\$0
\$35,000	Taxable Amount	\$50,000
\$ 1,307	Tax Due	\$ 1,000
\$20,000	Deductions	\$0
\$30,000	Taxable Amount	\$50,000
\$ 1,062	Tax Due	\$ 1,000
\$30,000	Deductions	\$0
\$20,000	Taxable Amount	\$50,000
\$ 580	Tax Due	\$ 1,000

If you can get you taxable income to 40% of your actual income then you will pay more

But Wait.

On page 189 of SB 145/2015

We actually give money back to people who earn less than 210% of Federal poverty level!

That's right, we give money BACK to cover expenses like food and housing.

We foresee Employers collecting the 2% and sending it to the State the same as they do today for PIT withholding.

This keeps each employee from having to file a separate GRT tax return every month - SIMLPE

You are going to Tax my Housing!

Yes at 2%

All property sales will be taxed at 2%

When any property is sold in New Mexico, commercial or residential there will be a 2% GRT

On a \$200,000 home the mortgage payment will increase by about \$20/month

The decrease in your Personal Income Tax MORE than makes up that difference – Yeah, you win!

An a \$1,000,000 commercial building with a 15 year mortgage the payment will increase by about 1%

Yeah, the State wins, while business absorb a minimal cost

All rentals will be taxed at 2%

\$1000 rent today becomes \$1020 rent under the new system.

Again, the decrease in Personal Income tax more than makes up the difference

AND

It is SIMPLE

Simple to calculate

Simple to Apply

Agriculture

Currently there are numerous exemptions for Agriculture.

Under 2% these all go away

But won't this raise the price of food?

NO

The reduction in all other taxes for the ag community off-sets the increases

(Refer to the "Pyramiding" chart attached)

Further, since it is simple to calculate it will actually make bookkeeping for the ag community easier, thus cheaper!

Eaters win, farmers win, the State wins!

Promises to Specific Business
(URENCO or Union Pacific, for example)

We will tax them at 2% - eventually

We want other business interests around the country to trust the New Mexico State Legislature

So we should keep our promises, even though the current Legislature cannot bind a future Legislature

However,

The average amortization time for most businesses is 15 years.

After the 15 year period the 2% tax applies.

The 15 years begins the year after the bill, giving them a promise, was signed into Law

UNLESS

The business finds that 2% is actually beneficial

Then they can join the healthy tax plan anytime.

What if 2% raises TOO much money?

This is a real concern.

With the ever growing businesses under a simple and sane tax system, 2% might be too much.

The goal for the next 3 years is to raise only what we were raising a couple of years ago (before we went broke).

So, there is a trigger to drop the rate if we raise too much money.

What if it does not raise enough money?

Same Same

There is a trigger to raise the rate if 2% is not enough.

The same rules apply to City and County Revenue.

At least for the next 3 years we are only trying to stabilize the numbers so we know what 2% REALLY does

So we don't want any government to raise too much or too little money

Compensating Tax

Today the compensating tax is 5.125% (5% on services)

It is collected when a business purchases something from out of state

The current Compensating tax does not provide the same revenue to cities and counties as the GRT

Solution

1. Drop the Compensating tax to 2%
2. Remove the prohibition on collecting the tax from individuals
3. Have the major on-line sellers report to whom they sold in New Mexico
4. Notify everyone that the Compensating tax applies to all out-of-state purchases
5. Begin collecting the tax from individuals who buy on-line
6. Share the revenue collected based on the zip code of the buyer

This creates an incentive to buy New Mexican goods

It helps the cities recover the lost revenue from on-line sales

It puts New Mexicans back to work

It is fair to the people, the state and the local communities

Future Legislators are crazy and will raise 2% to 10%

This is possible; most of the time legislatures are doing things to you not for you.

However,

Under a simple to understand and simple to calculate 2% tax plan

When the politicians try to take your money you will know it and see.

If you agree that they need more of your money you will continue to vote for them.

On the other hand, if you think they are wasting your money you can throw the bums out.

It is easy to see

EASY to correct

Currently, the legislature provides many tax exemptions or deductions for special groups,
In reality the cost of these exemptions are passed on to everyone else as hidden tax increases

The 2% plan un-hides these special deals for special interests

Conclusion

Tax EVERYTHING at a very low rate

Tax the rich for food (poor use SNAP and pay no tax)

Tax the rich for meds (the poor are on Medicaid and pay no Tax)

The low rate does several things, if we can only think outside the Round House

Encourage a Manufacturing sector in New Mexico

Encourage people to buy locally in New Mexico

Encourage the world to buy New Mexican

Alleviate dependence on oil and gas

Dramatically increase our tax base

Improve our School Funding

Build the middle class

Improve our roads

Create wealth

Peace

Love

Pyramiding Attachment

How to Properly Tax a

Thing-a-ma-bob

2% Tax plan with FULL Pyramiding

To Build a thing-a-ma-bob we must first begin with a
Wonket

	<u>2% Plan</u>	<u>Current System</u>
Step one acquire gizmonium for \$10 each	\$0.20 Tax	\$0.00 Tax
Buy a gadget for \$5.00 each	\$0.10 Tax	\$0.00 Tax
Labor to assemble the parts and create the Wonket \$5.00 each	\$0.00 Tax	\$0.00 Tax
Corporate income Tax under 2% plan	\$0.00 Tax	\$0.00 Tax
Corporate income tax under current rattlesnake system (5.9%)	\$0.00 Tax	\$0.59 Tax
TOTAL Cost \$20.00		
	TOTAL Tax paid	<u>\$0.30 Tax</u> <u>\$0.59 Tax</u>

Wonket sold to Widget manufacturer for \$30.00

Gross Revenue \$10.00

After Tax Profit \$9.70

After Tax Profit \$9.41

Savings \$0.29

This is \$0.29 that goes to job growth, improving the economy and lifting people out of poverty!

Widgets

	<u>2% Plan</u>	<u>Current System</u>
Transportation to get Wonket to Widget assembly \$2.00	\$0.04 Tax	\$0.00 Tax
Wonket Purchase \$30.00	\$.060 Tax	\$0.00 Tax
Doohicky addition to Wonket \$10.00 each	\$0.20 Tax	\$0.00 Tax
A Whatsit finishing process \$20.00 each	\$0.40 Tax	\$0.00 Tax
Labor for final assembly \$15.00 each	\$0.00 Tax	\$0.00 Tax
Corporate Income Tax paid	\$0.00 Tax	\$0.00 Tax
Corporate income tax under current rattlesnake system (5.9%)	\$0.00 Tax	\$4.31 Tax
TOTAL Cost \$77.00 Each		
	TOTAL Tax	<u>\$1.24 Tax</u>
		<u>\$4.31 Tax</u>

Widget sold to Thing-a-ma-bob manufacturer for \$150.00

Gross Revenue \$73.00

After Tax Profit \$71.76

After Tax Profit \$68.69

Savings \$3.07

This is \$3.07 that goes to job growth, improving the economy and lifting people out of poverty!

Thing-a-ma-bob

2% Plan Current System

Transportation to get Widget to Thing-a-ma-bob warehouse \$2.00	\$0.04 Tax	\$0.00 Tax
Thing-a-ma –Jig addition \$10.00 each	\$0.20 Tax	\$0.00 Tax
Widget \$150.00 each	\$3.00 Tax	\$0.00 Tax
Flugelbinder \$20.00 each	\$0.40 Tax	\$0.00 Tax
Labor \$20.00 each	\$0.00 Tax	\$0.00 Tax
Packaging \$1.00	\$0.02 Tax	\$0.00 Tax
Marketing \$10.00	\$0.20 Tax	\$0.00 Tax
Corporate Income Tax paid	\$0.00 Tax	\$0.00 Tax
Corporate income tax under current rattlesnake system (5.9%)	\$0.00 Tax	\$10.92 Tax
TOTAL Cost \$215.00 each		
	TOTAL Tax Paid	<u>\$3.96 Tax</u> <u>\$10.92 Tax</u>

Thing-a-ma-bob sales price \$400.00

Gross Revenue \$185.00

After Tax Profit \$181.04

After Tax Profit \$ 174.08

Savings **\$6.96**

This is \$6.96 that goes to job growth, improving the economy and lifting people out of poverty!

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More people are paying tax, which lowers the rate for everyone