



State of New Mexico

Office of the Governor

Bill Richardson
Governor

For immediate release
June 9, 2005

Contact: Gilbert Gallegos
(Santa Fe) 505-476-2217

Governor Bill Richardson credits tax cuts, strong economy for \$200 million in new revenue

SANTA FE - Governor Bill Richardson today announced that the state is on track to generate \$200 million in additional revenue as the end of the budget year wraps up June 30. The extra money from strong personal and corporate income taxes and oil and gas related revenues is clear signal that Governor Richardson's economic policies and tax cuts are working.

"We're seeing better-than-expected fiscal performance across the board," Governor Bill Richardson said. "I am especially pleased to see nearly 7 percent growth in personal income tax revenue at a time when we've cut taxes. New Mexicans are paying less income tax, and they're earning higher wages and salaries. And we're still seeing record investments in public schools and critical infrastructure.

"This news further justifies my insistence during the recent legislative session to push for tax cuts to benefit more than 500,000 working New Mexicans," Governor Bill Richardson said.

Under new projections, the state is expected to complete the current budget year (FY 05) with about \$200 million in additional revenue, a 4 percent increase over earlier projections. Nearly all of the excess growth is due to personal and corporate income taxes and oil and gas related revenues.

"While oil and gas revenue continues to benefit the state's budget surplus, it's important to note that income tax revenue is strong, and indicative of a strong and growing economy," said James Jimenez, Secretary of the Department of Finance & Administration. "We're seeing improvements in stock market investments, the manufacturing industry, new business start-ups and overall economic growth. This provides clear evidence that the Richardson Administration's policies are working."

Under the latest revenue tracking report, recurring General Fund revenue is tracking at \$4,865.3 million compared with the February estimate of \$4665.3 million.

Here's a breakdown of the tracking of excess growth in revenue:

Personal Income Tax

- Tracking significantly higher than estimated, by \$70 million or 6.9 percent.
- Of that, withholding is exceeding expectations by \$13 million, despite estimates that the top marginal rate cuts would impact primarily this component.
- Final tax payments are exceeding expectations by \$28.7 million.
- Estimated tax payments exceed estimate by \$14.4 million, signaling improvements in stock market investments, the manufacturing industry and overall economic growth. This also reflects high-income earnings.
- Oil and gas withholding are exceeding expectations by \$14.3 million.

Corporate Income Tax

- Corporate income taxes are tracking above estimate by \$41.4 million, or 20.7 percent.
- Strong profits in the oil and gas industry.
- Improvements in the manufacturing industry.

Mineral Taxes and Rents

- Mineral taxes and rents and royalties are exceeding the estimate by \$90.9 million, or 11.5 percent.

Reserves

- • On target to end the fiscal year with reserves of \$612 million, or 14 percent of the overall budget.