

# **A Health Impact Assessment of a Tax on Food Purchases in NM**

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# What is an HIA?



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## What is a health impact assessment (HIA)?

*“A combination of **procedures, methods and tools** that **systematically judges** the potential, and sometimes unintended, **effects of a policy, plan, or project on the health of a population** and the distribution of those effects within the population. HIA identifies **appropriate actions to manage those effects.**”—*

National Research Council



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-Essentially, HIA is a set, standardized, and very rigorous research process that can be applied to various policies to analyze potential health impacts.

-One thing we noticed and had been guilty of ourselves is looking at the food tax issue just from a tax perspective,

-but by applying the strict HIA framework to the food tax, we were able to systematically evaluate some of the potential health impacts and broaden the scope of the discussion around the issue to include how a food tax could impact health.

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*SLIDE: One of the keystones of the HIA protocol is stakeholder involvement, and so we had an Advisory Council that we met with throughout the process that helped inform and guide the project.*

## Food Tax HIA Advisory Council

### Out of State:

- Pew Research Center
- Upstream Public Health
- Green Health Consulting

### In State:

- Albuquerque Area Southwest Tribal Epidemiology Center
- Bernalillo County Place Matters
- Center for Civic Policy
- CHI St. Joseph's Children
- Farm to Table
- Healthy Places Consulting
- Lutheran Advocacy Ministry
- National Center for Frontier Communities
- NM Alliance of Health Councils
- NM Asian Family Center

- NM Department of Health, Public Health Division
- NM Food and Agriculture Policy Council
- NM Highlands University, School of Social Work
- NM Public Health Association
- Notah Begay III Foundation
- Motiva Corporation
- Roadrunner Food Bank
- Southwest NM Food Policy Council
- SouthWest Organizing Project
- Think New Mexico
- UNM Department of Health; Health Education Program
- UNM Department of Individual, Family, and Community Education: Nutrition/Dietetics Program
- United Way of Central New Mexico

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*SLIDE: One of the keystones of the HIA protocol is stakeholder involvement, and so we had an Advisory Council that we met with throughout the process that helped inform and guide the project.*

Pew's Health Impact Project is a national clearinghouse for HIAs.. They track all HIA work being done in the United States, do a number of HIAs every year, and provide technical assistance to HIAs across the country,

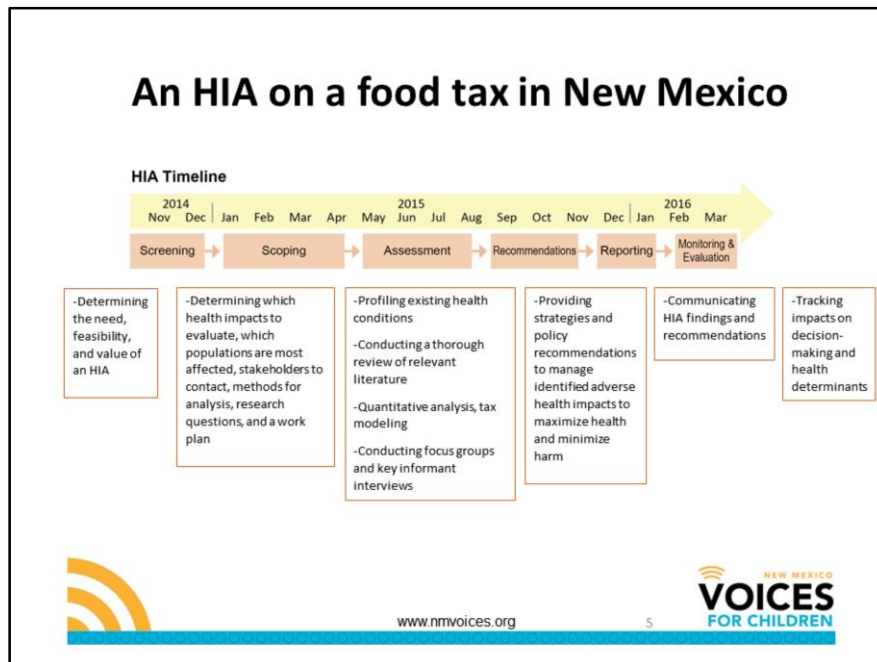
-Upstream and Green are HIA experts that provide technical assistance to HIA practitioners

- These groups were very involved in our HIA process
- Came to NM, met by phone every 2-3 weeks, and they helped provide guidance throughout the process.

In state, the AC was comprised of public health officials, academics from three universities, doctors, community health workers, faith leaders, HIA and policy experts, emergency food service staff, and representatives of community groups across the state.... *that brought an incredible body of expertise throughout the project.*

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*On the next slide, you'll see the 6 key steps that are required of an HIA, arranged along the timeline of the food tax HIA.*



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These 6 steps outline the framework that defines and gives structure to the HIA process.

-During screening, we met with Pew, RWJF, and stakeholders here in NM to determine the need and feasibility of the HIA. *As part of those meetings with stakeholders, we created an HIA Advisory Council to help inform and guide the project.*

-During scoping, we decided which health determinants and impacts to evaluate, identified vulnerable populations, and outlined our research questions and methods.

-In the assessment phase, we did the bulk of the research, which we'll talk about shortly.

-In the recommendations phase, we formulated policy recommendations with input from the AC and other experts and stakeholders.

-The reporting phase because in November of 2015 when we published the HIA, continued through the Spring, and on through this whole year as we presented on the HIA to multiple community groups and legislative committees

-The monitoring and evaluation phase is ongoing as well, as this is a living issue that we are still facing; part of this ongoing monitoring is tracking the effects of the HIA on policy

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*SLIDE: so why an HIA on the food tax?*

## Why an HIA on the food tax?



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Now I want to give you a little bit of background on the food tax in New Mexico and some relevant and related health determinants that provide some important context for the situations that children and families in New Mexico are facing...

## Brief History of Food Tax in NM

- **2004:** food purchases were exempt from the state's version of a sales tax (the gross receipts tax).
  - The law included a "hold-harmless" provision to compensate municipalities for their portion of the revenue lost from the exemption.
- **2013:** hold-harmless provision repealed (over 15 years) to pay for a major corporate tax cut.
- **2014 forward:** under pressure from local governments faced with declining revenues, legislators now considering a tax on food.
  - Health impacts of such a measure had not been demonstrated.



-One thing we have noticed and been occasionally guilty of ourselves is looking at the food tax issue just from a tax perspective,

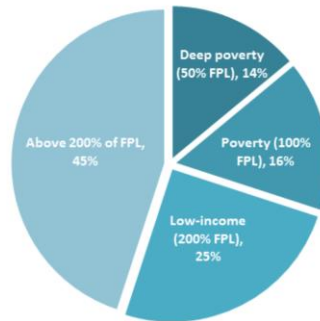
-which was part of the impetus for us thinking about doing an HIA on this project

-we also knew that New Mexico did not fare well in multiple health determinants that could be impacted by a tax on food

-for example....

## Most NM kids are in low-income households or living in poverty

Percent of NM kids by income group\*, 2014



\* The federal poverty level in 2014 was \$23,850 for a family of four.

Source: US Census, American Community Survey data, 2014

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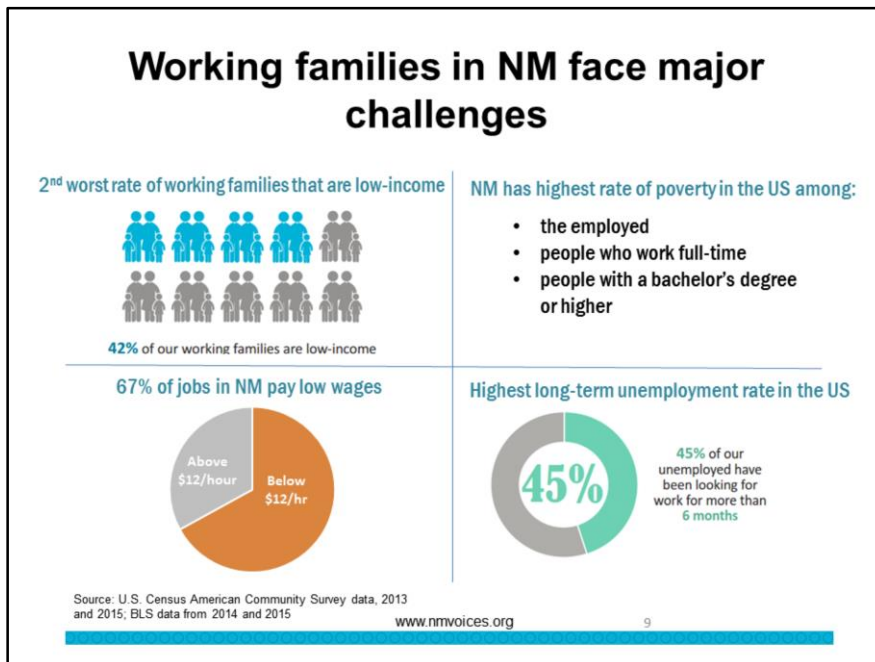
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*(SLIDE) However, as you can see on the next slide, most NM kids are still low-income or living in poverty.*

- This slide shows the percentage of NM kids in New Mexico according to income group. (refer to slide)
- And that so many of our kids live in poverty or are low-income is not surprising when you consider that New Mexico has the 2<sup>nd</sup> highest overall poverty rate in the nation, many of our working families are really struggling to make ends meat.

*(SLIDE) So you can see on the next slide that New Mexico also has the 2<sup>nd</sup> highest rate of working families who are low-income...42% of our working families still make less than 200% of poverty*





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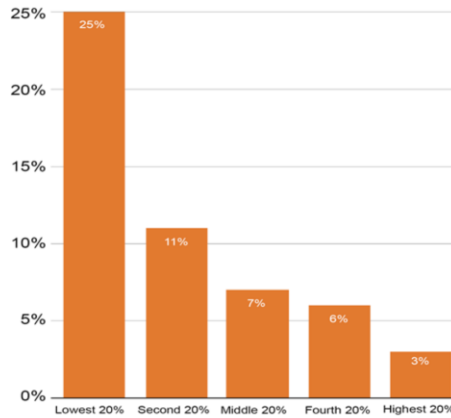
- Notably, we are ranked worst in the nation in terms of poverty among the employed, among people who work full-time year-round, and among people who have a bachelor's degree or higher.
- 67% of jobs in the state are low-wage jobs, paying less than \$12/hour.
- And all of these dismal statistics are IF people can find jobs, which is tough in our state.
  - We have the highest rate of long term unemployment in the nation, meaning that 45% of our unemployed have been **persistently** looking for work for more than 27 weeks

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*SLIDE: And when people can't find jobs or can't find jobs that pay well, that means they may not have enough to spend on basic necessities such as food*

- *and COMPOUNDING this is the fact that—as you can see on slide 8--the lower your income, the greater share of it that you spend on food*

## The lower your income, the higher the share that is spent on food

Percent of income spent on food by income quintile (2013)



Source: BLS, Consumer Expenditure Survey, 2013

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*SLIDE: Not only do many kids and families in NM not have enough to eat, but as you can see on the next slide, the lower your income....the BIGGER SHARE of it you spend on food.*

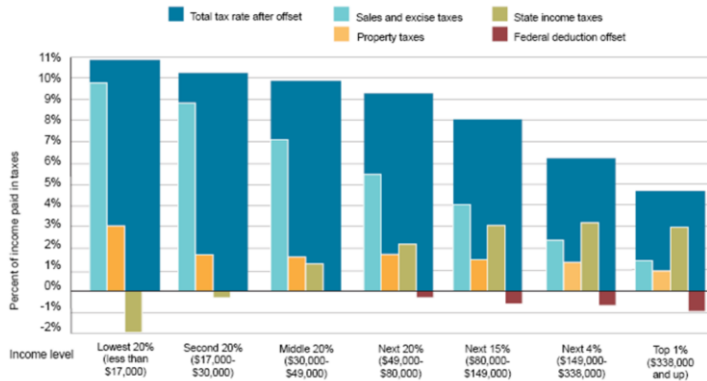
Those in the lowest quintile – earning less than 17 thousand dollars a year – spend one-quarter of it on food. That’s less than a hundred dollars a week.

This is really problematic when you consider our high rates of poverty and of the working poor.

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*SLIDE: And exacerbating this issue is New Mexico’s already very regressive tax system.*

## Our state and local tax systems ask the most of those who can afford it least

State and local taxes paid as a share of income (2015)



Source: Who Pays?, Institute on Taxation and Economic Policy, 2015

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*SLIDE: And exacerbating this issue is New Mexico's already very regressive tax system.*

A regressive tax system is one in which the lower your income, the higher the share of it you pay in taxes.

The majority of New Mexicans (those earning less than \$80K) pay more than 9% of their incomes in state and local taxes, While a tiny majority (making more than \$338,000) pay less than 5%

Those at the bottom, and even those in the middle, are paying more than twice their share of their income than those at the top, in shouldering the responsibility for government services like education and health care and public safety.

*And not only are they treated unfairly by the tax system as is without food being taxed, but they also face food-related challenges at high rates.*

*SLIDE:*

- *And so knowing these things,*
- *plus the fact that health was very much not a part of the discussion around the food tax*
- *we applied to the Pew Research Center to do a health impact assessment and take a look at how tax policy generally and the food tax specifically could potentially impact health in NM.*

## What were the results?



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*SLIDE:*

- *And so knowing these contextual factors and health determinants*
- *And knowing that health was very much not a part of the discussion around the food tax*
- *we applied to the Pew Research Center to do a health impact assessment and take a look at how tax policy generally and the food tax specifically could potentially impact health in NM.*

## Assessment methods

1. Evaluation of existing conditions
2. Literature review
3. Quantitative data analysis
4. Key stakeholder interviews
5. Focus groups



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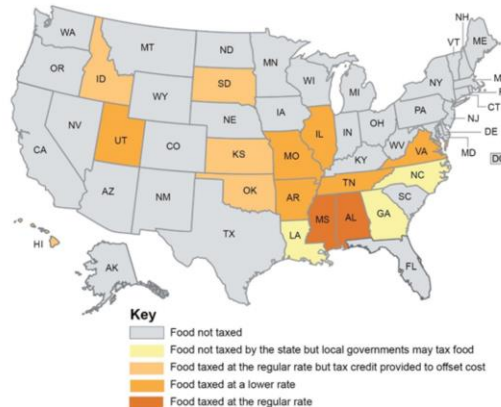
Before jumping into the results, as a reminder, this health impact assessment relied on five primary research methods to identify and evaluate the potential health impacts of reinstating a tax on food:

1. Extensive evaluation of existing conditions w/ focus on.....
  1. Children
  2. People of color
  3. Low- and lower middle-income families and individuals
2. Extensive academic style literature review
3. Quantitative data analysis included tax modeling to analyze how a tax would impact people by income group
4. Key stakeholder interviews
  - doctors, health care workers, food bank employees, community health workers, work with vulnerable populations, government officials in charge of food benefit programs
5. Focus groups
  - focus groups: Gallup, ABQ, Vado (in Spanish)

The potential health effects on elderly New Mexicans (adults ages 65 and older), residents of rural areas, and residents of food deserts (places without reliable access to affordable sources of healthy food) were also analyzed when possible.

## Most states do not tax food

State Food Tax Rates and Exemptions (2015)



Source: "State Sales Tax Rates and Food and Drug Exemptions," Federation of Tax Administrators, Jan. 1, 2015

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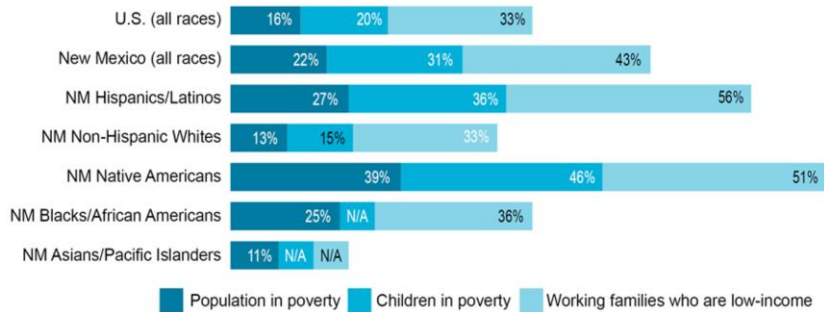
*SLIDE: one of the first things we looked at was how other groups treat food taxation.*

Found the big majority of states do not levy taxes on food. A handful tax it at a lower rate or provide tax credits to help offset the cost, but

Only two states—**MISS** and **Alabama**, two of the only states that consistently have food insecurity, economic, and child well being outcomes akin to or worse than ours—tax food at the same rate as other goods.

## New Mexicans are already in crisis

Percentage of adults and children in poverty and the rate of working families who are low income



Source: US Census, American Community Survey, 2013

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*We also found that many New Mexicans are already in crisis,*

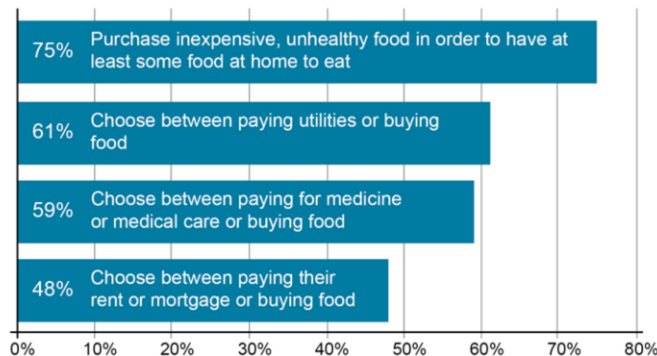
*-as I said previously, we have one of the worst child poverty rate in the nation, and the second worst rates of overall poverty and rate of working families that are low income.*

Rates are particularly severe among people of color, with Hispanics and Native Americans in New Mexico facing the worst economic conditions.

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*SLIDE: As you can see on the next slide, we also found that economic security has a strong impact on food choices, especially among low-income groups and those that are already food insecure.*

## Economic security impacts food choices

Many food-insecure New Mexicans already make tough choices



Source: NM Association of Food Banks Survey, and Feeding America, Map the Meal Gap, 2014

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*SLIDE: We also found that economic security can have a very big impact on food choices, and in fact, food insecure New Mexicans already make a lot of really decisions around food purchases.*

- 75% REGULARLY have to buy cheap, unhealthy food in order to have at least some food to eat. We heard this time and again in the focus groups.
- 65% regularly choose between paying for heat, water, and electricity or paying for food
- Very importantly for this particular project, 59% of food insecure New Mexicans choose between buying food and buying medicine
- And 48% regularly make the choice between paying for housing and paying for food.

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*SLIDE: so those at the lower end are making really tough choices around food, and unsurprisingly they also face food-related challenges at high rates.*





## SNAP benefits are not adequate to address food insecurity



80% of SNAP benefits are used up within the first half of the month

Exhaustion of SNAP benefits at the end of the month decreases test scores



Very low-income New Mexicans not receiving SNAP spend **\$215 million** a year on groceries



Low-income\* New Mexicans miss, on average,

**3 meals per week**



\*\$31,244 for a family of 3 (185% of FPL)

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*SLIDE: Our dismal food insecurity and food access numbers are indicative of the fact that SNAP benefits do not cover all food purchases and are DEFINITELY not adequate in addressing food insecurity and food access issues. On the next slide....*

1. You can see that on average, nearly 80% of SNAP benefits are used within the first two weeks of when they are received
  - That SNAP benefits only cover a portion of necessary food purchases is part of the reason that even with their benefits
  - more than half of SNAP households experience food insecurity or hunger
2. The exhaustion of SNAP benefits is associated with the fact that:
  - Test scores get worse, disciplinary actions, and hospitalization rates for low blood sugar increase
  - For children in families that receive SNAP
  - the further away they get from the date that their families receive benefits
3. Emergency food providers provide some relief, but in fact, very low-income New Mexicans that meet SNAP income eligibility
  - But that DO NOT receive SNAP
  - still spend more than \$215 million per year on food grocery purchases.
4. Even so, it is estimated that low-income New Mexicans, on average, miss about 12 meals per month, or 3 meals per week.
  - That's the equivalent of having a city the size of Santa Fe need emergency food every seven days.

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*SLIDE: On the next slide, slide 19, you can see some highlights of the findings from the literature review*

# Literature review highlights

## Family Economic Security and Health

- Low-income groups suffer from lower emotional, mental, and physical health, have significantly less access to medical care, and are more likely to be diagnosed with chronic conditions.
- Lower socio-economic status associated with a variety of health, cognitive, and emotional risk factors and negative health outcomes in children that have long-lasting impacts.

## Food Purchases, Diet, Nutrition and Health

- Price elasticity research shows that the cost of food impacts food choices: if costs go up, purchases go down, and vice versa; specific research points to decreased spending on fruits and vegetable purchases in times of economic stress.
- Food insecurity linked to nutrition-related chronic conditions, increased hospitalization and health care costs, decreased test scores, and increased developmental risks for kids.

## Government Spending and Health

- Governments positively impact health through budget choices, particularly in the areas of preventive care, direct health services, and food assistance programs.
- Spending in other areas also associated with improved health outcomes.

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*SLIDE: Because a tax on food and the resulting increase in the cost of food could further impact family economics and food choices, we did an extensive literature review on the connections between these health determinant areas and health impacts.*

- We found that low-income groups suffer from lower emotional, mental, and physical health; have **significantly** less access to medical care, and are more likely to be diagnosed with chronic conditions
- Evidence suggests that poverty and low socioeconomic status *may have particularly long-lasting and powerful effects on children* that start even before birth and continue through adulthood.

- 
- **An extensive body of economic research on price elasticity** shows that the cost of food impacts food choices: if costs go up, purchases go down, and vice versa. Food cost constraints lead low-income families to decrease intake of more costly **fruits, veggies, and produce** in times of economic stress.
  - It is not surprising then that *people who experience food insecurity and poor nutrition* are **more likely** to have nutrition-related chronic conditions that are linked not only to hunger, but also to purchase of cheaper foods that fill the stomach, but don't provide adequate nutrition.
  - Food insecurity is also linked to depression, lack of sleep, increased health care costs, and **increased developmental risks for children**

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Because taxing food would also result in government revenues that could be used for increased spending, we also did an extensive review of the linkage between government spending and health.

- Research **strongly supports** the fact that governments can **positively impact health** through budget choices, *particularly in the areas of* direct health care services, including food assistance programs.
- Studies *specifically show that investments in preventive care* can lower hospitalization and death rates as well as save money in the long term when it comes to nutrition-related chronic conditions.
- Spending in other areas **such as education, transportation, public safety, and parks and recreation, SNAP and tax credits** are also associated with improved health outcomes.

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*SLIDE: in addition to doing extensive research on how a food tax and the resulting increase in the cost of purchasing food could impact health*

- *We also spoke with stakeholders around the state about the issue.*
- *Part of this feedback was gathered as a series of key stakeholder interviews ...*
- *We also held focus groups around the state to gather feedback from people about*
- *we saw a number of common themes emerge.*

# Stakeholder feedback

*“\$25 doesn't seem like a lot until you don't have a dollar to your name.  
Then, it is a small fortune.”*  
-Community member, Albuquerque

*“Without a doubt, families will buy cheaper and less nutritious food  
if the cost of purchasing food goes up.”*  
-B.J. Ciesielski, Executive Director, New Mexico Community Health Worker Association

*“At school, there are times when some of the kids can't focus  
because they don't get to eat dinner  
because their parents don't have money for food.  
They didn't eat well, they don't sleep well,  
so they don't even get to school in time to eat breakfast.  
Some of these kids don't get to eat at all at home.  
They eat at school, but sometimes only once a day.”*  
-Community member, McKinley County

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- *And we saw a number of common themes emerge*

1. That the cost of food was a major concern and cause of stress
2. That a tax on food could lead to cuts in food or other bill areas for New Mexicans who were already facing some of the biggest challenges, especially low income parents and children, seniors, the working poor, and those on the edge of poverty and food insecurity.

When told that the average cost per household of a food tax would be between \$25 and \$35 dollars, one focus group participant said.. (REFERENCE SLIDE)

4. We also heard from experts and community members that vulnerable populations will buy **cheaper, more processed, and likely less nutritious** food if the cost of purchasing food increased.
5. Stakeholders expressed **serious concerns** that a food tax could contribute to Negative long-term health effects for children
6. **Even stronger** among stakeholders and community members though was *the unanimous sentiment* that the health risks of a food tax **far outweighed** the potential benefits from collecting revenue through a tax on food.

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*SLIDE And that sentiment is similar to the overall findings of the HIA that are presented on slide 21.....*

*-That a tax on food is likely to have an overall negative impact on health through multiple health determinants;*

*-and while there are some potentially positive health impacts related to government spending that could result, these are less likely.*

## Food tax HIA findings

- ↑ Tax system regressivity
- ↓ Family economic security
- ↑ Stress & mental health risk factors
- ↑ Food insecurity
- ↑ Nutrition-related chronic conditions
- ↑ Childhood risk factors
- ↑ Need and demand for public & private assistance
- ↑ Government revenues
- ↔ State and local government spending on health
- ↓ Overall: Health

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*SLIDE And that sentiment is similar to the overall findings of the HIA that are presented on slide 15.....*

*-That a tax on food is likely to have an overall negative impact on health through multiple health determinants; -and while there are some potentially positive health impacts related to government spending that could result, these are less likely.*

- (REFER TO SLIDE)... because the GRT is a regressive tax, we predict that...
  - Tax system regressivity, FES, stress
  - Because a tax on food would result in an increased cost of purchasing food, we predict that it could negatively impact..

On the flip side, revenues would increase from what they would be without the food tax. However, analysis of *city, county, and state spending on health services, particularly those related to nutrition* indicates that it is far from certain that food tax revenues would be used to directly increase public health or food service programs.

**Overall, we predict that public health could be harmed by taxing grocery purchases.**

New Mexicans, especially NM kids , already face some of the worst rankings on multiple health determinant indicators that could be impacted by an increase in the cost of food purchases.

**A food tax will not improve the situation for New Mexico kids, families, and communities**

- **and could very likely make it worse.**

# Policy Recommendations



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## **PRIMARY RECOMMENDATIONS**

- 1. Do not tax food.** The HIA team strongly recommended that the food tax deduction is not repealed and food is not taxed due to the potentially harmful health impacts, regressivity, and increased health disparities that could result.
- 2. Generate revenue in other ways.** If it is determined that new revenue is needed, instead of a food tax, consider other taxes that would
  - likely have a less harmful effect on the health of vulnerable populations in New Mexico
  - and potentially address some of the existing regressivity in the tax code.

These include repealing the capital gains deductions; increasing CIT from large and/or multi-state corporations; enacting higher PIT rates for very high-income earners; raising taxes that are associated with curbing unhealthy behavior; and increasing excise tax on new motor vehicles.

## **SECONDARY RECOMMENDATIONS**

*Given that New Mexico has high rates of poverty and food insecurity, several other policy recommendations should be considered to help improve the health determinants and outcomes that many New Mexicans are facing now, even without a tax on food.*

# Policy recommendations

## Primary

1. Do not tax food.
2. Generate revenue in ways that don't harm health or make the tax system even more regressive.

## Secondary

1. Increase current state tax credits for low-income families with children.
  - o Low-Income Comprehensive Tax Rebate, Working Families Tax Credit, a state Child Tax Credit
2. Increase and/or maximize programs that help to improve the diet- and nutrition-related health outcomes of vulnerable populations.
  - o SNAP, at-risk meal programs, community eligibility for F/R lunches

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## **SECONDARY RECOMMENDATIONS**

### **1. Increase current state tax credits and create new credits for low-income families with children.**

*It is important to note that though tax credits make the tax system more progressive, they do not address the underlying causes of poverty and food insecurity— they simply help to mitigate them. And while tax credit participation is higher in New Mexico than nationwide, many eligible participants do not receive the credits. To be most effective, tax credits must be paired with public awareness campaigns and free tax preparation assistance for low-income filers.*

### **2. Increase and/or maximize programs that help to improve the diet- and nutrition-related health outcomes of vulnerable populations.**

- To make improvements in this area, policy-makers could increase appropriations for services directly related to food insecurity and hunger,
- increase SNAP enrollment by maximizing available program benefits and streamlining enrollment and recertification;
- increase utilization of USDA at-risk meal program funds;
- take full advantage of community eligibility for free and reduced-price school lunches;
- increase coordination and administrative resource sharing for administering food programs;

# Where are we now?



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## Food tax HIA updates

- **2015 and 2016:** presented HIA in front of legislative tax and health committees and to numerous community groups
- **2016 Legislative Session:** bill proposing a tax on food did not pass out of committee
- **2016:** presented HIA to multiple community groups and in legislative presentations; HIA featured on national tax forum, in journal articles on HIA, and at a National Council of State Legislators HIA plenary.
- **2017 Legislative Session:** food tax legislation is expected to be presented as NM is facing a major budget crisis
- **Ongoing:** Monitoring and evaluation

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▪**Ongoing:** Monitoring and evaluation

# Questions and comments?



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