

10-4-1995

Zedillo Plan Would Give Some Taxation Powers to State, Local Governments

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "Zedillo Plan Would Give Some Taxation Powers to State, Local Governments." (1995).
<https://digitalrepository.unm.edu/sourcemex/3511>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Zedillo Plan Would Give Some Taxation Powers to State, Local Governments

by LADB Staff

Category/Department: Mexico

Published: 1995-10-04

During late September and early October, President Ernesto Zedillo's administration announced a number of steps to decentralize the federal government by transferring powers to collect certain taxes to state and municipal governments. The legislation due to be presented to the Chamber of Deputies in November proposes to allow local and state governments to collect the value-added tax (impuesto al valor agregado, IVA) for such items as gasoline and alcoholic beverages. States would also be allowed to collect real estate and property taxes in some instances.

The plan is expected to face significant debate in the Chamber of Deputies, since the transfer of tax collection powers to state and local governments would mean a loss of revenue for the federal government. Supporters suggest a major advantage of the proposal is that state and municipal governments will gain access to tax revenues much faster than if they were channeled through the federal government. Under the proposal, state and local governments would be allowed to create their own revenue and tax agencies. The federal government has already taken other steps to assist state and municipal governments, including a program announced earlier this year to help with debt restructuring efforts (see SourceMex, 05/10/95 and 08/09/95).

Also, the government has initiated pilot projects whereby the consumer protection agency (Procuraduria Federal del Consumidor, Profeco) allows certain states to retain all fines against local companies that violate the government's price controls. The plan was implemented in Sinaloa state in late August after a similar plan in Tabasco state was deemed successful. According to the plan, states agree to contribute funding for establishment of Profeco offices in cities in exchange for the power to retain fines.

On a related matter, a study compiled by the daily newspaper Reforma notes that overall federal transfers of funds to states during January-June is down about 6.8% from last year. In fact, the study which is based on statistics from the Finance Secretariat (SHCP) noted that only three states have received more federal funds in January-June 1995 than during the same period last year. Those states are Queretaro, Nuevo Leon, and Tabasco. Another five states have maintained similar levels of funds as last year. These are Aguascalientes, Jalisco, Oaxaca, Nayarit, and Mexico states. Federal funding for the remaining states and the Federal District has fallen by between 9% and 15%. (Sources: Reforma, Notimex, 08/31/95; La Jornada, 10/02/95; Excelsior, 10/03/95)

-- End --