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Chamber of Deputies Approves Taxation Powers for Cities

by LADB Staff

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In mid-June, the Chamber of Deputies overwhelmingly approved an initiative to empower municipal governments to propose a local system of taxes and gain control over key functions such as public safety and sewerage and water systems. The initiative, which involves six reforms to Article 115 of the Mexican Constitution, passed by a 387-17 vote with 24 abstentions. The bill was promoted by the center-right Partido Accion Nacional (PAN), but received broad support from all legislative delegations. A key section of the bill gives mayors the prerogative to impose taxes on businesses and state-run agencies that operate within their city limits, including PEMEX and the Comision Federal de Electricidad (CFE).

Previously, these taxes were controlled by the federal government and in some instances by state authorities. Proponents of the bill said the measure could potentially double tax revenues for many cities. However, mayors would not have the power to unilaterally enact taxes and tariffs, since any taxation measures would have to be approved by the state legislatures.

Still, several PAN governors including Fernando Canales Clariond (Nuevo Leon) and Alberto Cardenas Jimenez (Jalisco) lobbied against the initiative because the bill would transfer some state powers to city governments. Among other things, the measure gives mayors the right to control land use within city limits and allow greater administrative control of certain public utilities such as sewerage and water. In addition, all major cities except Mexico City would gain control over some public-safety agencies that were previously controlled by either a federal or state government agency. "With these reforms, mayors would become true governors of their cities, not just administrators," said proponents of the measure.

The initiative still must be approved by the Senate and the state legislatures because it involves changes to the Mexican Constitution. The initiative to give more powers to cities is another step in decentralizing government in Mexico. In recent years, the federal government has allowed state governments more freedom to manage their own affairs, but has generally remained in control of fiscal matters.

Some governors and legislators have pushed for the federal government to adopt measures, including an overhaul of the federal tax code, that would give states greater control over their financial affairs. The dispute between federal and state authorities came to light in a recent case, when the Chihuahua state government attempted to register two million vehicles that were brought into the state from the US without the proper permits (see SourceMex, 1999-04-21 and 1999-05-26).

Chihuahua Gov. Patricio Martinez abandoned this plan after the federal government threatened to withhold revenue-sharing funds. In Mexico, the federal government has jurisdiction over licensing and registration of all motor vehicles. (Sources: La Jornada, 06/10/99; Novedades, El Universal, 06/18/99)

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