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The end of the 2 percent payroll tax cut, a provision in Congress' fiscal cliff deal, will be felt by most wage earners, and the local businesses those workers shop at.

Payroll taxes dropped from 6.2 percent to 4.2 percent in the tax years of 2011 and 2012. Congress voted to bring it back to 6.2 percent as part of the fiscal cliff deal made last week.

"When the payroll tax cut was put into effect, people seemed to reduce debt, increase savings or they purchased longer lasting items such as cars," said Leo Lovett, Wells Fargo's senior business relationship manager.

Lovett said the payroll tax increase will likely have the opposite affect on New Mexico residents.

"People think that it affects tax earners making more than \$400,000, but every worker is being hit with this additional 2 percent that they've been accustomed to having in their own pocket," Lovett said. "And they were providing their own stimulus to their local economy."

He said now that people have less money to spend, it can have a negative effect on gross receipts of the city of Portales.

For example, a family with a \$50,000 household income will have a \$1,000 less to spend this year, which is \$1,000 less the local economy will benefit from, according to Lovett.

He identified a few areas of the deal that were good for Portales residents, including

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Roosevelt County Chamber of Commerce Director Karl Terry said fiscal cliff deal has chamber members acting more cautiously with their investments.

"I've seen some of my chamber members backing off on some of their plans," Terry said. "They're pulling their horns in a little bit to wait and see how they're affected by taxes. There is some skittishness about business going forward."

Terry says he plans to continue to see uncertainty until Congress handles the budget deficit.

He added that the farm bill extension, another portion of the deal, affects this area more than anything else.

"(The extension) is not what we really wanted around here," Terry said. "I think dairy farmers would like to see it rewritten so that it's more real world. They're less interested in the subsidy end of it as much as they want it to protect them."

Doug Redmond, director of economic development for the county, agrees with Lovett that 2 percent payroll tax increase will not go unnoticed.

"We've all gotten used to having the extra few dollars in our pocket," Redmond said.

But as far as companies looking to the future, Redmond says business owners have a better picture of what their financial situations will look like.

"Now that we know what we have, we know the rules of the game we're going to play for a little while," Redmond said. "At least know the parameters because there was so much uncertainty in the past six months. Everyone's been kind of on the sidelines."

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