

# FAIRER TAXES PUT US ON THE ROAD TO A STRONGER NEW MEXICO!

Many New Mexico families will see a **personal income tax cut** thanks to this year's tax changes.



During the 2019 legislative session, policymakers, advocates, and constituents like you worked together to lift up New Mexico's working families through meaningful tax reform – like the expansion of the Working Families Tax Credit.

These changes create a fairer tax system that strengthens our ability to make long-term, stable investments in kids and schools, health, public safety, and our roads and bridges. Those investments benefit us all and help us build a stronger New Mexico.

## IMPACT ON ALL NEW MEXICO FAMILIES WITH CHILDREN

**70%** of taxpayers with children will see an **income tax cut**

**\$64 MILLION** will be returned to families with children

## IMPACT ON ALL NEW MEXICANS

**250,000** or 29% of all taxpayers – will see an **income tax cut**

## IMPACT ON THE WEALTHIEST NEW MEXICANS

**5%** of taxpayers will see a small income tax increase, paid overwhelmingly by the highest earners<sup>1</sup>



# THESE REFORMS, WHICH CUT TAXES FOR THOUSANDS OF WORKING FAMILIES – ESPECIALLY THOSE WITH CHILDREN – ARE ACHIEVED THROUGH FOUR CRITICAL CHANGES:

## 1. GIVING A BIG BOOST TO WORKING FAMILIES

- Increases the Working Families Tax Credit for 216,000 taxpayers.
- Boosts incomes for families of more than 225,000 New Mexico kids, helping them afford basic necessities.
- Returns \$38 million to working New Mexico parents.

## 2. LOWERING TAXES FOR MOST FAMILIES WITH CHILDREN

- Creates a \$4,000 tax deduction for every dependent beyond the first.
- Fixes a tax increase for families caused by the federal government's 2017 tax changes.
- Returns \$27 million to New Mexico families.

## 3. REDUCING A WASTEFUL TAX BREAK FOR THE STATE'S VERY WEALTHIEST HOUSEHOLDS

- Reduces the capital gains deduction from 50% to 40%.
- Scales back a poorly targeted tax break that overwhelmingly benefits the wealthiest and does nothing for our economy.

## 4. ASKING MORE OF THE HOUSEHOLDS BENEFITTING THE MOST FROM OUR ECONOMY

- Adds a new personal income tax rate for those at the very top.<sup>2</sup>
- Helps fix our upside-down tax code, where the wealthiest New Mexicans pay the smallest share of their income in state and local taxes.
- Raises stable revenue for classrooms, hospitals, and more from those who can most afford it.



1 The figures in this yellow box represent all the personal income tax changes in HB6. An analysis by the Taxation and Revenue Department on just the additional tax bracket component shows that will impact only 3% of the highest-earners in New Mexico.

2 This increase will only take place if recurring FY20 state revenues are less than a 5% increase from FY19.

Sources: NM Legislature's fiscal impact report for HB 6, Institute on Taxation and Economic Policy analysis of HB 6 impacts, and Center on Budget and Policy Priorities analysis of IRS 2016 tax year data