

# NM tax on SS benefits hurts seniors, state

*We should stop driving away retirees who consider moving here*

**BY FRED NATHAN**  
EXECUTIVE DIRECTOR, THINK NEW MEXICO

It is time to repeal New Mexico's counterproductive tax on Social Security benefits.

For more than half a century after Social Security was enacted in 1935, Social Security benefits were not taxed in New Mexico.

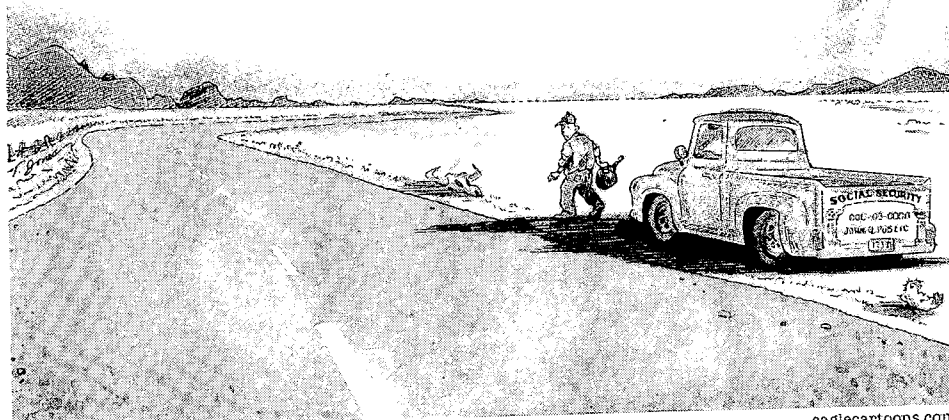
In 1990, the New Mexico Legislature passed a long and complex bill changing the way that state and federal pensions were taxed — and raising more than \$13 million for state government. Buried on the second-to-last page of that bill was a *single line* that imposed the state's income tax on Social Security benefits. This provision received no public scrutiny.

Today, New Mexico is one of only 13 states that tax Social Security benefits, and of those states, New Mexico has the second harshest tax, costing the average Social Security recipient in New Mexico nearly \$700 a year.

Taxing Social Security benefits undermines the purpose of the Social Security Act, which was designed to lift seniors out of poverty — not to fund state government. New Mexico currently ranks third-highest in the nation for the percentage of seniors living in poverty.

Social Security is the sole source of income for one in three New Mexico seniors, yet the average benefit is only about \$13,900 a year. Meanwhile, the average annual cost of food, housing, and health care for older Americans is nearly twice as high: about \$28,000, according to the U.S. Department of Labor.

New Mexico's Social Security tax also has a negative impact on our economy. If seniors were able to keep the money that they now pay in taxes on their Social Security benefits, much of it would be spent immediately, and those dollars would go



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right back into New Mexico's economy. State government would still receive significant revenues through the gross receipts taxes that would be generated by that economic activity.

One reason why most states do not tax Social Security benefits is to attract and retain retired people as an economic development tool. Taxing Social Security hurts New Mexico in "best states to retire" lists. Last year, for example, Kiplinger's magazine profiled the 13 states that still tax Social Security benefits, and it listed New Mexico among the least tax-friendly states for seniors.

The state's tax on Social Security benefits is a form of double taxation. When New Mexicans receive their paychecks, the money that is taken out for Social Security is already subject to state income taxes. So New Mexicans pay income tax on the money they put into Social Security, and then they are taxed again on the benefits they receive.

Legislators and Gov. Michelle Lujan Grisham could simply repeal New Mexico's tax on Social Security benefits without any offsetting revenues, since taxes were already raised last year on automobiles and internet sales, among other things. This would decrease state tax revenues by about \$73 million a year, according to an analysis by the state's Legislative Finance Committee.

Another option would be to follow the

model of the laws enacted by West Virginia and North Dakota earlier this year. Both of those states targeted their tax exemptions to lower- and middle-income residents by repealing their taxes on Social Security benefits for married taxpayers with incomes of less than \$100,000 and for all other taxpayers with incomes of less than \$50,000.

Enacting a similar reform in New Mexico would reduce state tax revenues by \$21 million to \$29 million. That represents about one-third of 1% of New Mexico's \$7 billion state government budget.

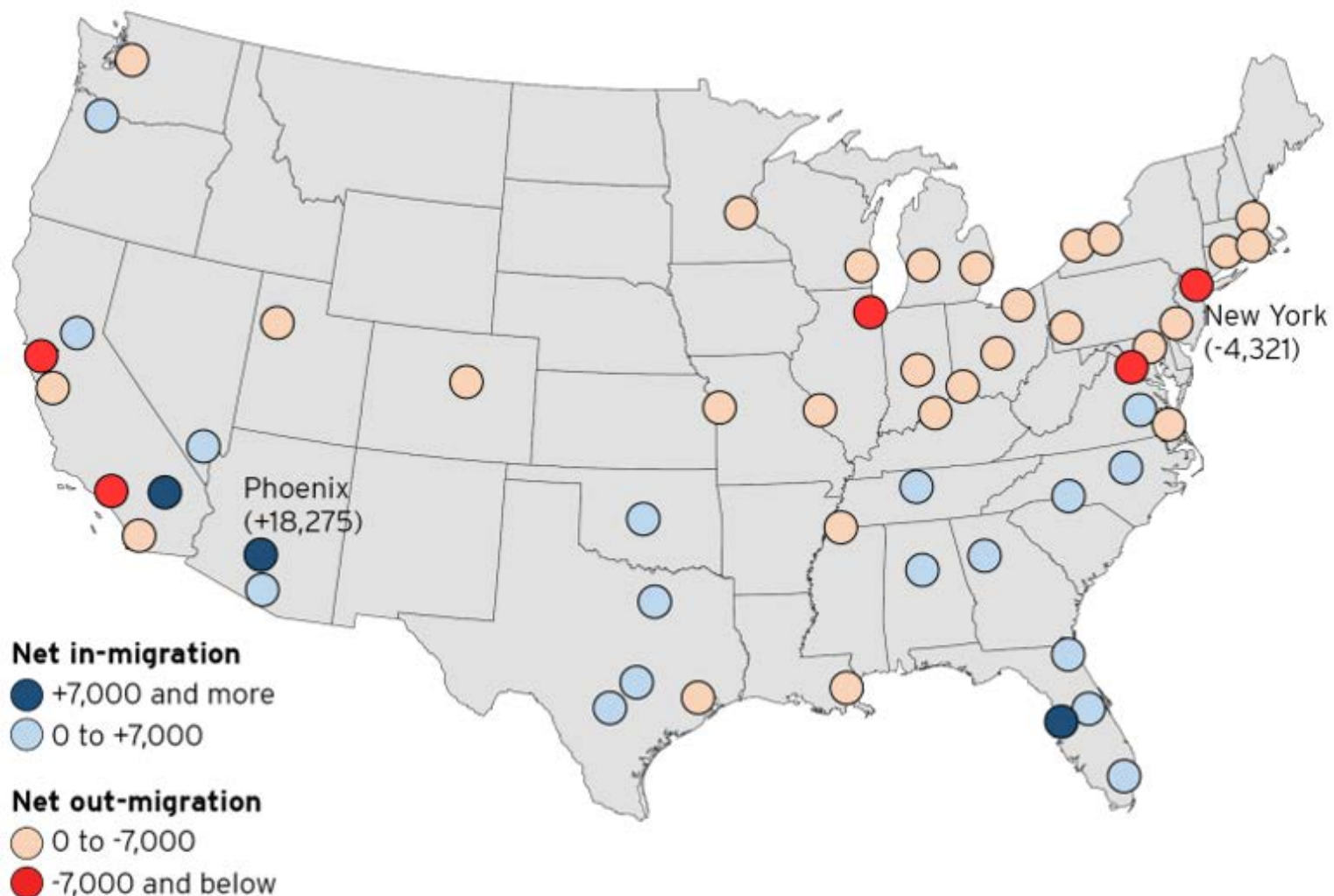
Think New Mexico is not alone in supporting this reform. Legislators from both sides of the aisle have introduced bills in recent years to repeal or significantly reduce New Mexico's tax on Social Security benefits, including Reps. Gail Armstrong, R-Socorro, Daymon Ely, D-Albuquerque, and Patricia Roybal Caballero, D-Albuquerque.

We hope you will join this effort to repeal New Mexico's Social Security tax by contacting your legislators and Gov. Lujan Grisham and urging them to support legislation repealing the tax on Social Security. You can learn more and email your legislators and the governor from Think New Mexico's website: [www.thinknewmexico.org](http://www.thinknewmexico.org).

Think New Mexico is an independent, nonpartisan, results-oriented think tank that recently released a report on achieving retirement security for all New Mexicans.

## Where seniors are moving: Annual net migration of residents ages 55+

Major metropolitan areas, 2012-2017



Source: William H Frey analysis of "residence one year ago" data from 5 year ACS, 2013-2017 (released December, 2018)

RESOLUTION NO. 20-058

**A RESOLUTION URGING THE NEW MEXICO STATE LEGISLATURE TO REPEAL THE STATE TAX ON SOCIAL SECURITY BENEFITS FOR NEW MEXICO SENIORS.**

The City Council is informed that:

**WHEREAS**, in 1990, the New Mexico State Legislature passed Senate Bill 310, which repealed New Mexico's tax exemption for Social Security benefits; and

**WHEREAS**, in New Mexico, taxpayers aged 65 and older with incomes up to \$18,000, or \$30,000 for married couples, are eligible to exempt just \$8,000 from their total income, which includes Social Security benefits; and

**WHEREAS**, tax exemption is phased out as a senior's income increases, so by the time an individual's income reaches \$28,501, or \$51,001 for a married couple, they receive no exemption for any of their income, including Social Security benefits; and

**WHEREAS**, a Social Security tax is a form of double taxation because when New Mexicans receive their paychecks the money that is taken out for Social Security is subject to federal and state income taxes, then they are taxed again on the benefits they receive; and

**WHEREAS**, New Mexico is just one of thirteen states in the country that levies an income tax on Social Security payments to at least some beneficiaries, and has the second highest tax on Social Security benefits in the nation; and

**WHEREAS**, it is estimated that there are 120,000 New Mexicans age 65 and older, which makes up 17.5% of the state's population; and

**WHEREAS**, at 12.2%, New Mexico is ranked third in the nation in the percentage of seniors living in poverty; and

**WHEREAS**, New Mexico's state tax on Social Security benefits costs the average Social Security recipient nearly \$700 a year; and

**WHEREAS**, the average Social Security benefit in New Mexico is only \$13,900 a year, and the cost of food, housing, and healthcare averages \$28,000 a year for older Americans, so seniors are left facing impossible choices between buying food or medicine or keeping the lights, heat, and water on; and

**WHEREAS**, taxing Social Security benefits undermines the purpose of the Social Security Act, which was designed to lift seniors out of poverty, not fund state government.

**NOW, THEREFORE**, Be it Resolved by the Governing Body of the City of Las Cruces:

**(I)**

**THAT** the City of Las Cruces urges the Governor of New Mexico to add the repeal of the state tax on Social Security benefits in New Mexico to the upcoming 2020 New Mexico Legislative Session agenda.

**(II)**

**THAT**, if put on the 2020 New Mexico Legislative Session agenda, the City of Las Cruces urges the New Mexico State Legislature to vote to repeal the state tax on Social Security benefits in New Mexico.

**(III)**

**THAT** this Resolution be delivered and presented to representatives of the Governor of New Mexico and the New Mexico State Legislature.

**(IV)**

**THAT** City staff is hereby authorized to do all deeds as necessary in the accomplishment of the herein above.

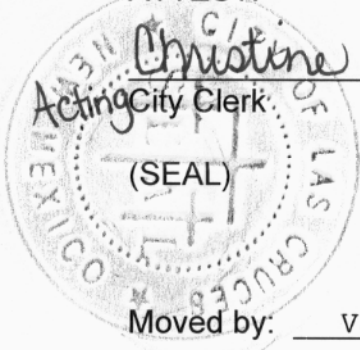
**DONE AND APPROVED** this 18 day of November, 2019.

APPROVED:

  
\_\_\_\_\_

Mayor

ATTEST:



*Christine Rivera*  
Acting City Clerk: \_\_\_\_\_

(SEAL)

Moved by:         Vasquez        

Seconded by:         Sorg        

VOTE:

Mayor Miyagishima:	<u>        Aye        </u>
Councilor Gandara:	<u>        Absent        </u>
Councilor Smith:	<u>        Aye        </u>
Councilor Vasquez:	<u>        Aye        </u>
Councilor Eakman:	<u>        Aye        </u>
Councilor Sorg:	<u>        Aye        </u>
Councilor Flores:	<u>        Aye        </u>

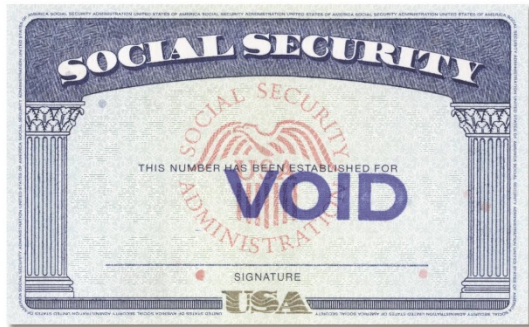
APPROVED AS TO FORM:

  
\_\_\_\_\_

City Attorney

# Doña Ana County Commissioners Ask NM Legislature to Repeal State Social Security Tax

By [MICHAEL HERNANDEZ](#) • DEC 12, 2019



*New Mexico, along with Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Rhode Island, Utah, Vermont and West Virginia tax income on Social Security in varying ways. West Virginia's state Legislature passed a law in March to eliminate state income tax on Social Security by 2022.*

CREDIT U.S. CITIZENSHIP AND IMMIGRATION SERVICES

Social Security is a critical form of income for thousands of retired New Mexicans—for some seniors, it's their only source.

But New Mexico remains one of 13 states that tax income from Social Security.

The Doña Ana County Board of Commissioners unanimously passed a resolution asking Gov. Michelle Lujan Grisham to add the repeal of the state tax to the 2020 Legislative Session agenda.

"This is my resolution and I recently learned that the City of Las Cruces enacted a similar resolution and I think it would be fitting for the county to follow up," County Commission Chair Lynn Ellins said.

Ellins said he draws Social Security along with his wife. He cited a letter from [Think New Mexico](#), a Santa Fe-based public policy group that asked the commission to pass the resolution.

"Taxing Social Security undermines the purpose of the Social Security program which was designed to lift seniors out of poverty," Ellins said. "Finally, the New Mexico Social Security tax has a negative impact on the state and local economy. If seniors in our community were able to keep the money that they now pay in taxes much of it would be spent immediately and those dollars would go right back into the local economy."

[Think New Mexico added](#) that taxing Social Security is double taxation, since residents pay income tax on the money that comes out of their paychecks and then again when they receive those benefits.

Clinton Turner is tax policy director for the New Mexico Taxation and Revenue Department.

"It's taxed like all other income. Whether you get that income from Social Security or from wages, that's going to be considered the same," Turner said referring to how the state taxes Social Security.

Personal income tax rates range from [1.7 to 4.9 percent](#), depending on the tax bracket. Turner said those taxes go to the state's general fund. Along with the standard deduction, he said taxpayers 65 and older may qualify for other deductions.

"So, the biggest difference is going to be what your total income is and whether that gets completely taken care of with the standard deduction or with that additional \$8,000 deduction that New Mexico adds onto that to get down to your taxable income," Turner said.

Yolanda Valenzuela and her husband draw about \$2,000 a month in Social Security.

"As a retiree, that's what we rely on. That's what we worked for all those years and the money coming in is what sustains us," Valenzuela said.

The 69-year-old said she feels blessed to have a comfortable income—but realizes thousands of other seniors don't. She said untaxed benefits would help her cover medical expenses.

"Well, of course it would help us. It would help with the cost that we have for medications. My husband has heart disease and so we're at the doctors quite a bit with him having tests constantly. So, it helps with medication, it helps with the doctor's fees," Valenzuela said. "It would definitely ease the tightness that you experience in just trying to live day-to-day."

Thousands of seniors in poverty are feeling that tightness. In 2017, New Mexico had the [third highest poverty rate for people 65 and older](#) at 12.2 percent, according to a 2019 U.S. Census Bureau report.



The state's income tax costs the average Social Security recipient \$700 a year, according to Think New Mexico. District 3 County Commissioner Shannon Reynolds said that number only tells a partial story.

"That's probably not the whole picture. Because the whole picture is that a lot of our seniors are on such low income and dependent on Social Security to the point where they have to make a decision—do they buy medicine or do they buy food?" Reynolds said. "And when you think about an individual and \$700, I mean you're talking about a month's worth of food that they could actually afford or medicine that they could afford with \$700 more a year."

But [some critics](#) of a Social Security tax exemption said the loss of tax money would increase reliance on oil and gas revenues.

Citing a state analysis by the Legislative Finance Committee, Think New Mexico said repealing the tax would decrease state revenues by \$73 million a year.

But the think tank estimated that number would drop to between \$21-29 million if New Mexico passed a law that exempts low and middle-income residents from the tax, as other states have done. The group said that decrease represents about one-third of 1 percent of the state's \$7 billion budget.

For Reynolds, who also draws Social Security, it's important that seniors get the most from their benefits. While many senior incomes are fixed, Reynolds added the cost of living is not.

"The cost of living keeps going up. The COLA that's actually applied to the Social Security doesn't seem to be enough to actually make a difference. And with the increased cost of food, the increased cost of medicines, it's imperative in my opinion that we actually give some money back or allow the residents that live on Social Security to have all the money they can get," Reynolds said.

<https://www.krwg.org/post/do-ana-county-commissioners-ask-nm-legislature-repeal-state-social-security-tax>