



# Tax Policy Impacts on Child Well-Being and Equity

Revenue Stabilization and Tax Policy Committee  
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**New Mexico Voices for Children**

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A group of diverse children are playing outdoors in a park-like setting. They are smiling and blowing bubbles. The background is filled with green trees and foliage, creating a bright and cheerful atmosphere. The children are of various ethnicities and are dressed in casual clothing. The overall scene conveys a sense of joy and community.

**Our mission is to  
champion public  
policies that improve  
the well-being of  
New Mexico's  
children, families,  
and communities.**



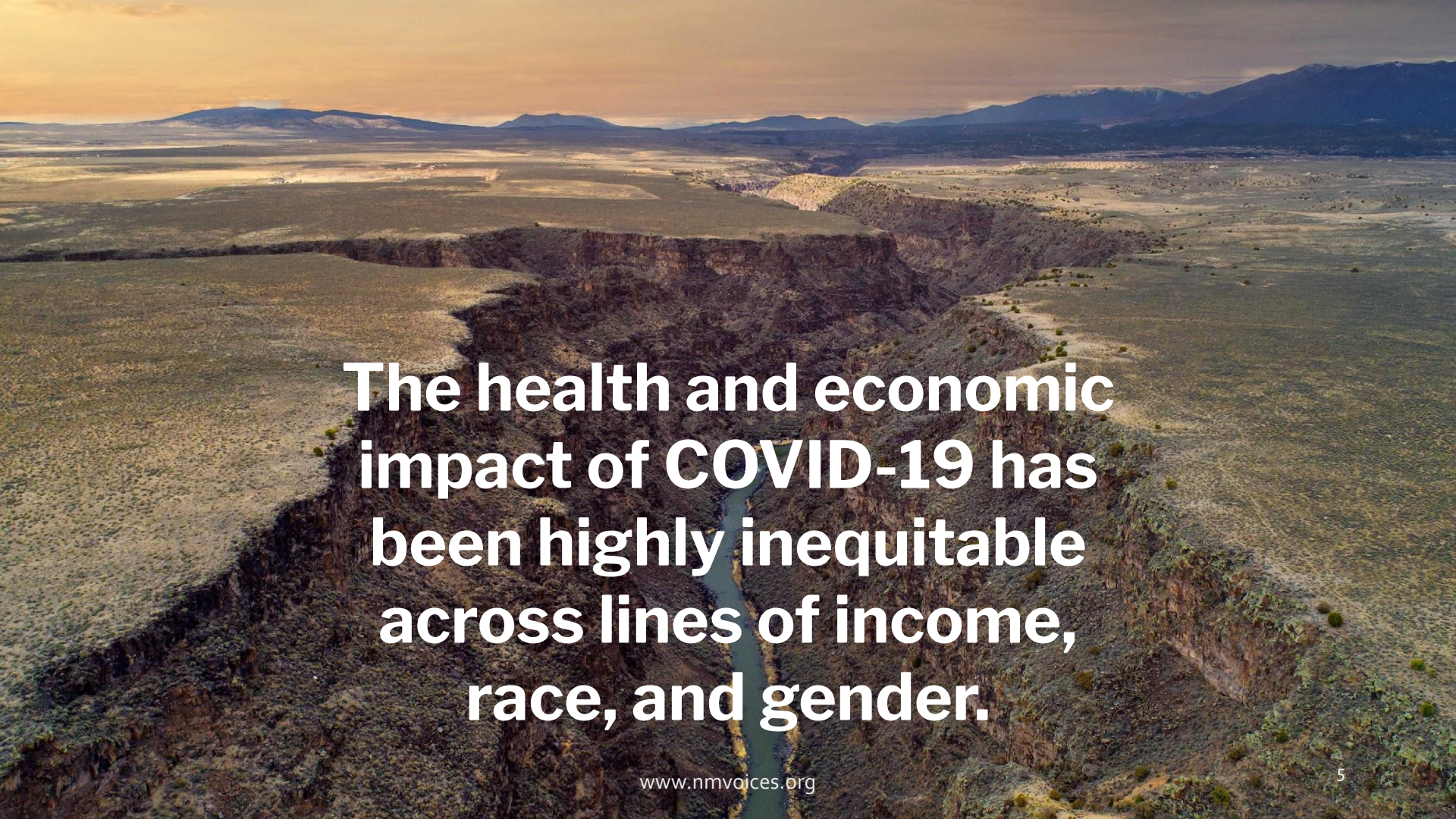


# Why NMVC works on tax policy

Tax policy is a powerful tool that can help advance equity because it determines **who pays their fair share of taxes, who doesn't, and who benefits most** from the way the system is structured.

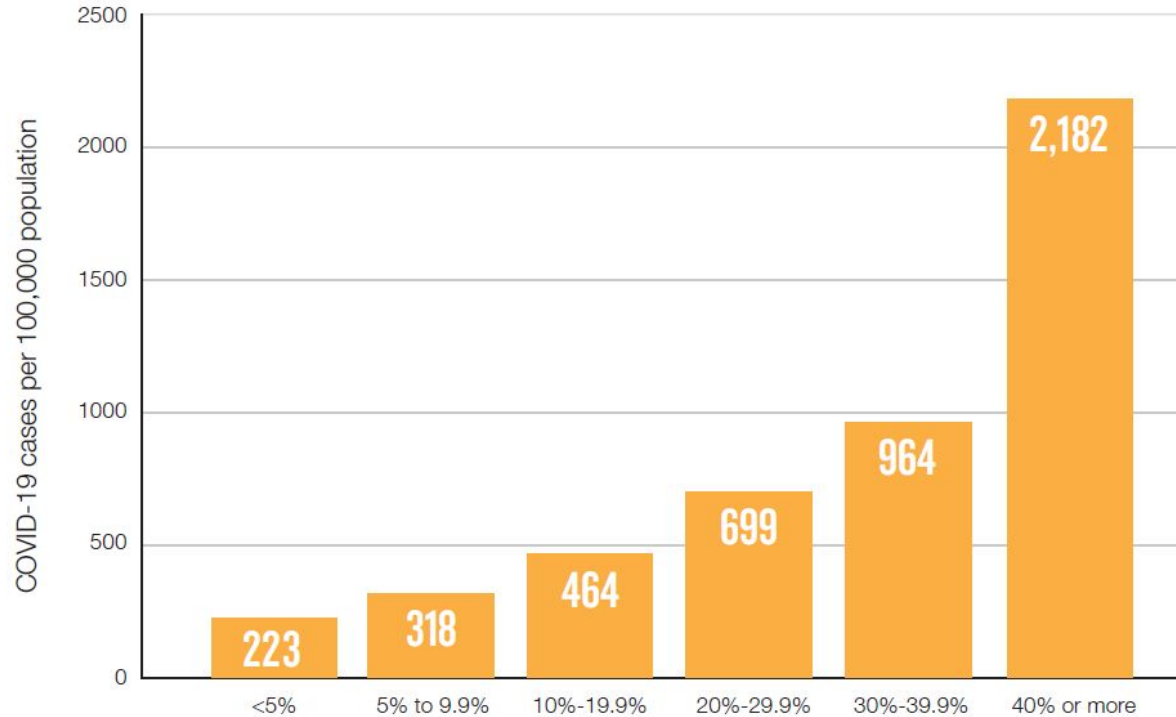






**The health and economic impact of COVID-19 has been highly inequitable across lines of income, race, and gender.**

# Lower-income New Mexicans were at a greater risk of contracting COVID-19



Census tracts grouped by poverty rate

Source: New Mexico Human Services Department presentation to Legislative Health and Human Services Committee, Sept. 4, 2020



# Low-wage workers hardest hit by COVID-19

Percent change in employment: In [New Mexico](#), as of June 27 2021, employment rates among workers in the bottom wage quartile decreased by [12.7%](#) compared to January 2020 (not seasonally adjusted)



data source: [Earnin](#), [Intuit](#), [Kronos](#), [Paychex](#)

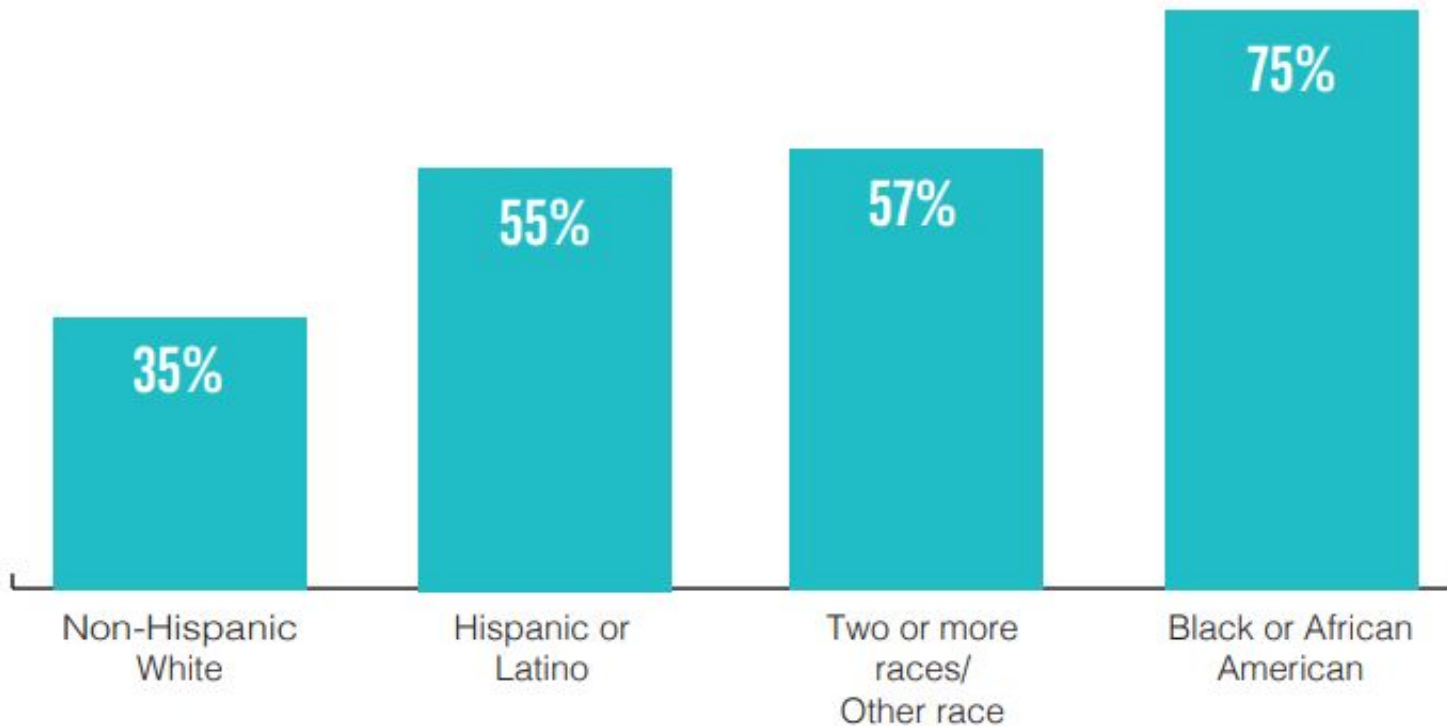
# COVID-19 has disproportionately harmed people of color

- Hispanic workers saw the steepest initial employment losses and still have the most ground to make up to reach pre-pandemic employment.
- Native Americans make up 11% of NM population, but last year made up 30% of COVID cases.
- Low-income residents of mostly *non-white* communities died of the coronavirus at *9 times the rate* of low-income residents of largely white areas.



# Families of color have had a harder time affording basic necessities

Percentage of New Mexico adults living in households with children who reported having this difficulty



# **COVID-19 has caused gender inequities to grow, especially among parents**

- **Women = 47% of NM workers;64% of frontline workers**
- **More mothers than fathers have lost wages, decreased work hours, and exited the labor force**
- **Mothers with young children have reduced their work hours 4 to 5 times more than fathers**
- **The gender gap in work hours has grown by 20-50%**





# POLICY MATTERS



A group of approximately 30 children are sitting in a large circle on a light-colored tiled floor. In the center of the circle is a large, light-colored eagle logo, which is the seal of the state of New Mexico. The eagle has its wings spread and is perched on a banner that reads "CRESCIT EUNDO". The children are wearing yellow t-shirts with a circular logo on the front. Some children are wearing colorful masks (green, orange, purple, blue, red) and some are wearing capes. They appear to be in a playful or educational setting. The text "Talk taxes to me:" is overlaid in white, bold font across the top half of the image.

**Talk taxes to me:**

**Adequacy and equity  
in New Mexico's tax code**



An aerial photograph of a deep, narrow canyon. A river flows through the center of the canyon, which is flanked by steep, dark, rocky walls. The canyon extends into the distance, where it meets a vast, flat, open landscape. In the far background, there are low mountains under a hazy, orange-tinted sky, suggesting a sunset or sunrise. The overall scene is one of a rugged, natural landscape.

**How did we get here?**



# We tried to cut our way to prosperity

## Major actions pre-2019

- Personal income taxes: big personal income tax cuts in 1981 and 2003 mostly for the very wealthy
- Wealth taxes: elimination of estate tax in 2001 + major opposition to wealth taxes
- Corporate income taxes: tax cuts mostly for big businesses in 2013
- Gross receipts taxes: tax breaks for different groups, services, and products



# Attempts to drive growth by cutting taxes harmed adequacy and equity

- Inability to fund crucial programs
- Overreliance on oil and gas industry's volatile revenues
- Inequitable and unbalanced tax system

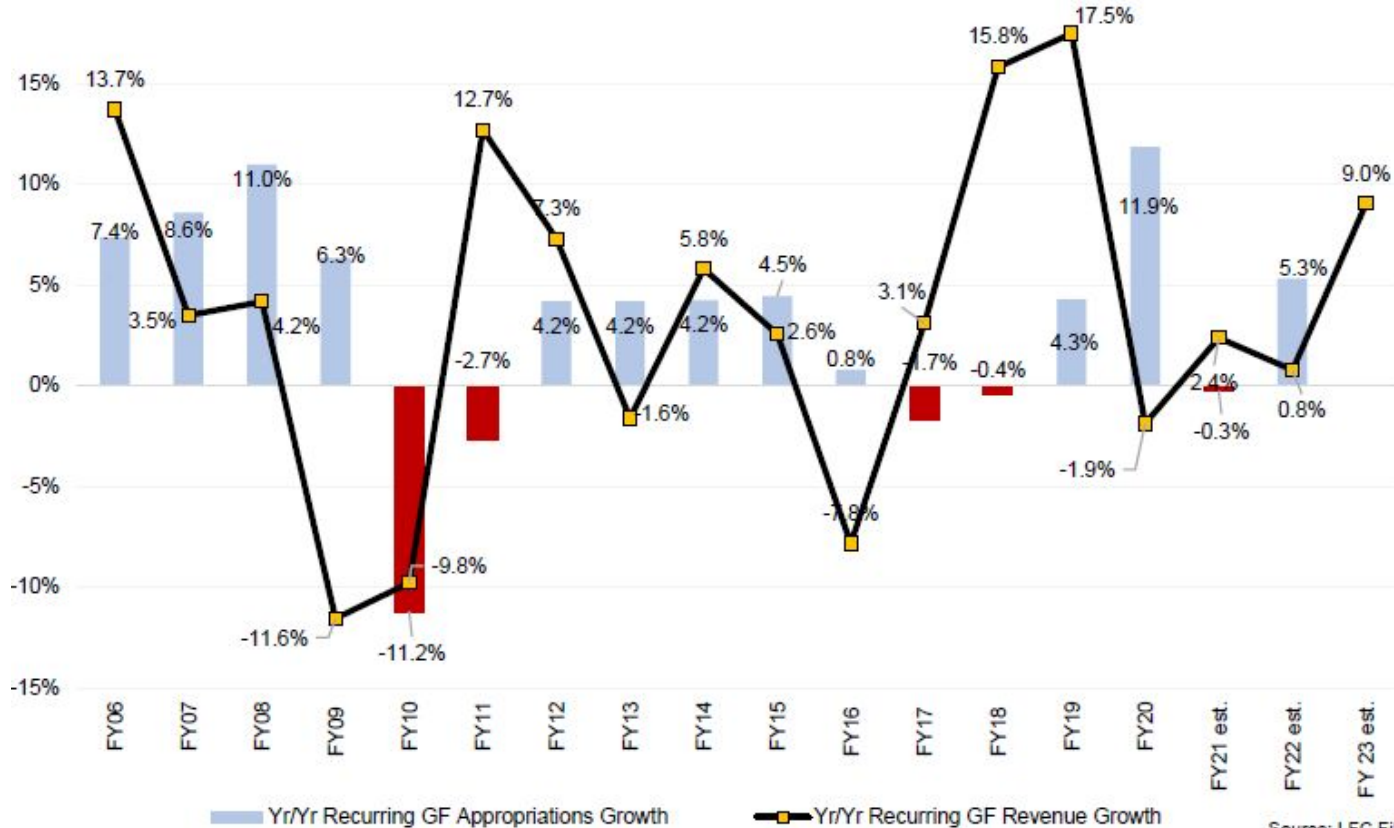
# Lack of revenue meant an inability to fund key programs for families

## Budget cuts prior to 2019 resulted in:

- 14% cut in per-pupil K-12 spending between 2008 and 2018
- 33% cut in per-pupil higher education spending
- Child care assistance enrollment dropped 20% between 2010 and 2018
- Funding for WIC down by 9% between 2014-2018
- Cut U.I. benefits for unemployed workers with kids
- Over a billion dollars drained from various targeted funds
- Near the bottom in educator pay
- Major agency vacancy rates



# Recurring Revenue and Appropriation Annual Growth



Source: LFC Files

## Stable, sustainable, and diversified revenues help build a stronger future

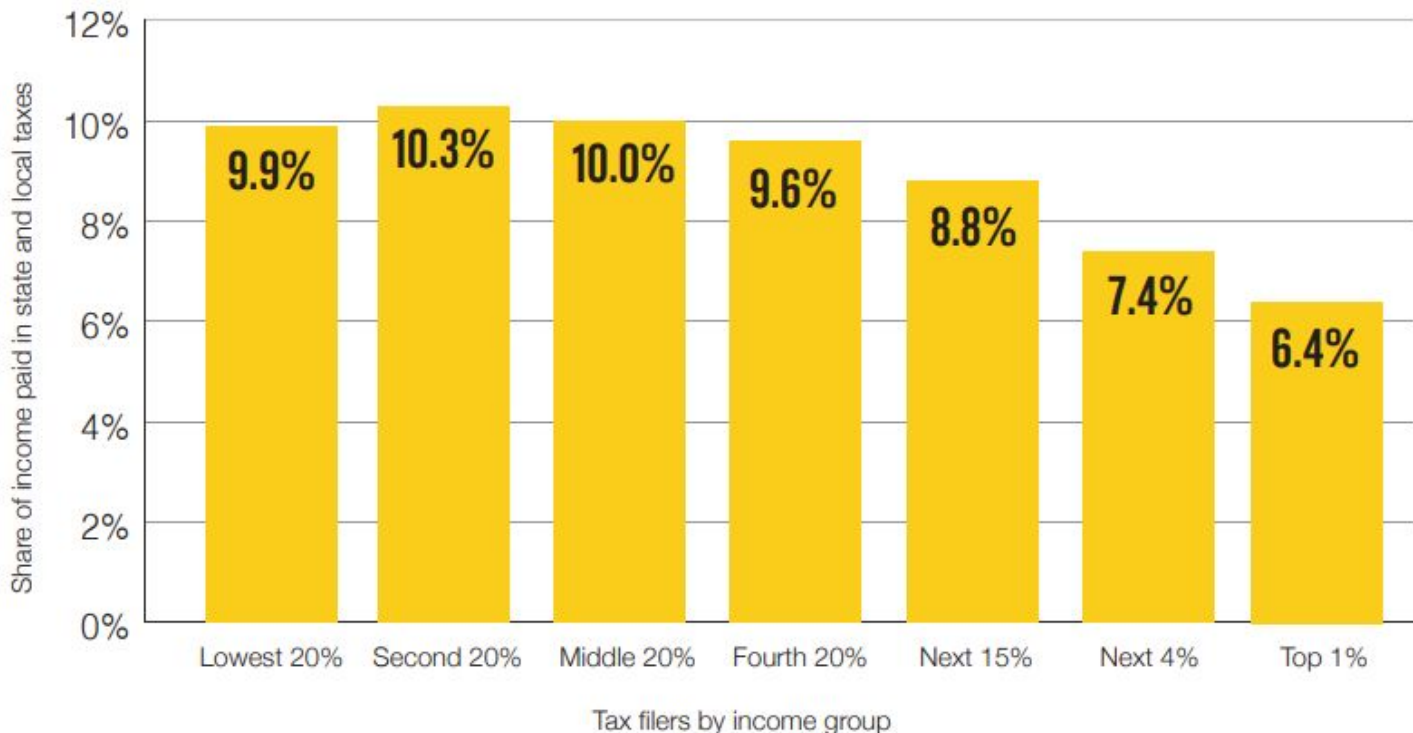
- 2017: revenue shortage caused major cuts
- 2019: 75% of revenue *surplus* tied to O&G
- 2020: declines in O&G accounted for 70% of projected revenue *decline*
- \$1 change in price of oil has a \$27 million impact
- Volatility and long-term decline put NM at risk

***We must build our future on a broader, stronger foundation so that generations of kids can meet their full potential***



# New Mexico's tax system is upside-down

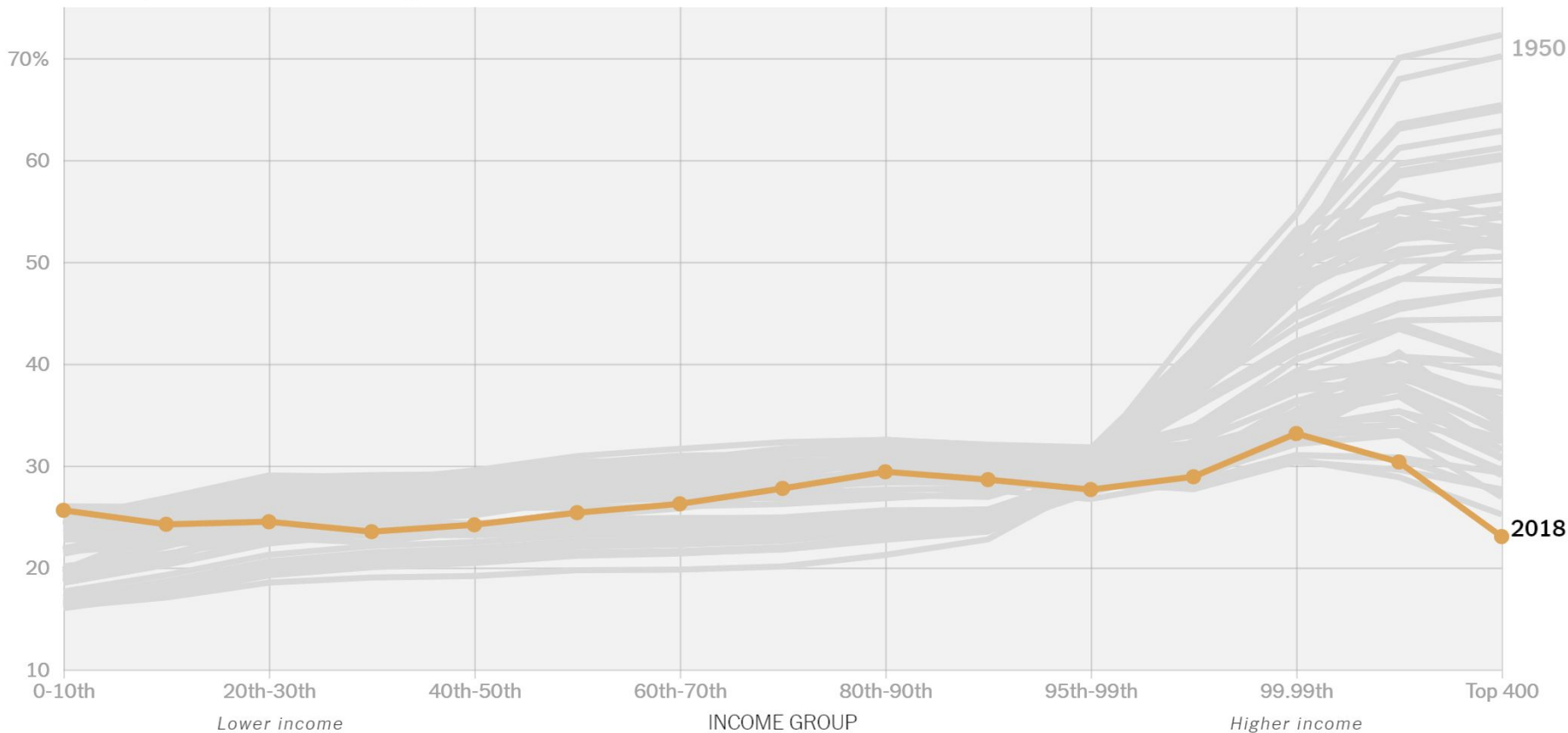
New Mexicans with the lowest incomes pay higher rates in state and local taxes (TY 2021)



Source: *Who Pays?*, Institute on Taxation and Economic Policy, 2018, updated in 2020 with income tax changes enacted in 2019

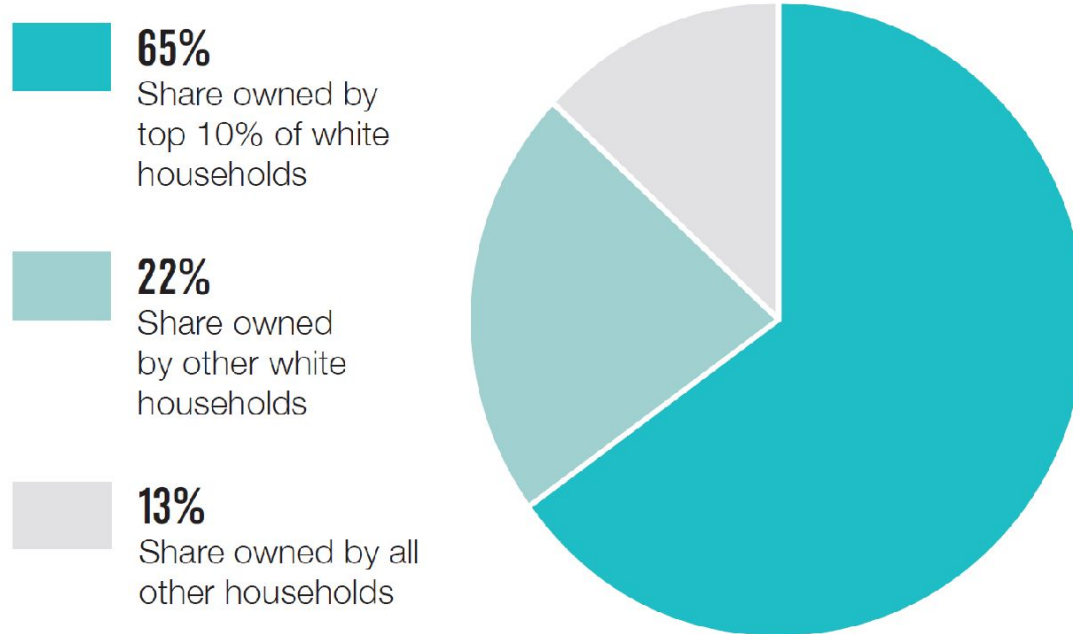
# Tax cuts at all levels have overwhelmingly favored the wealthiest residents

TOTAL TAX RATE (FEDERAL, STATE AND LOCAL)

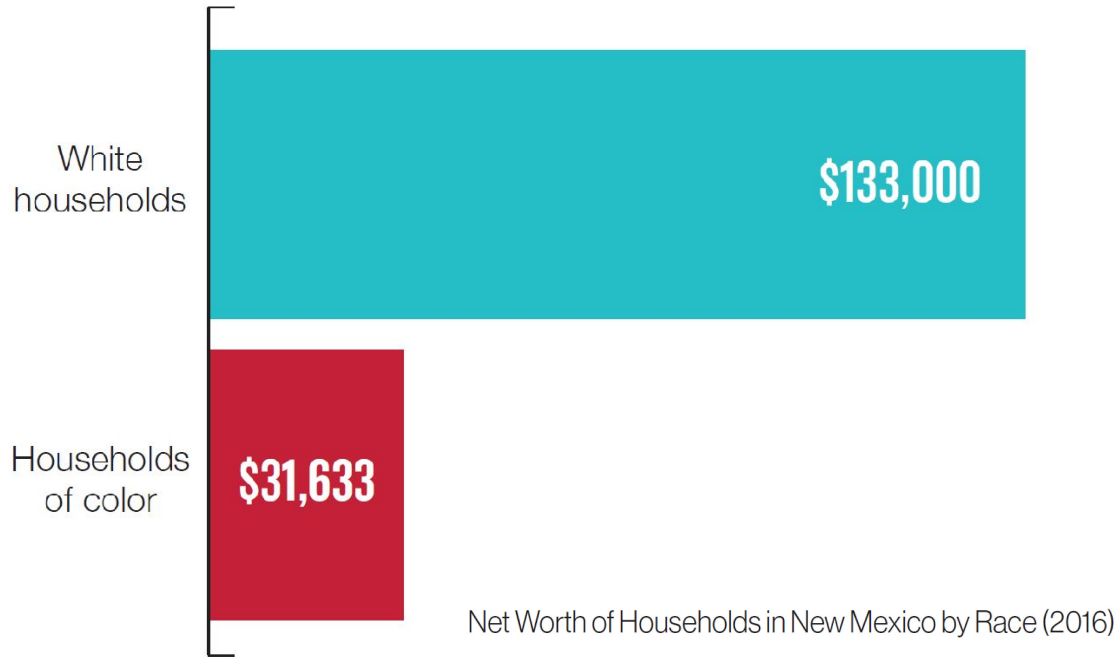




# Nearly 90% of US wealth is owned by white households



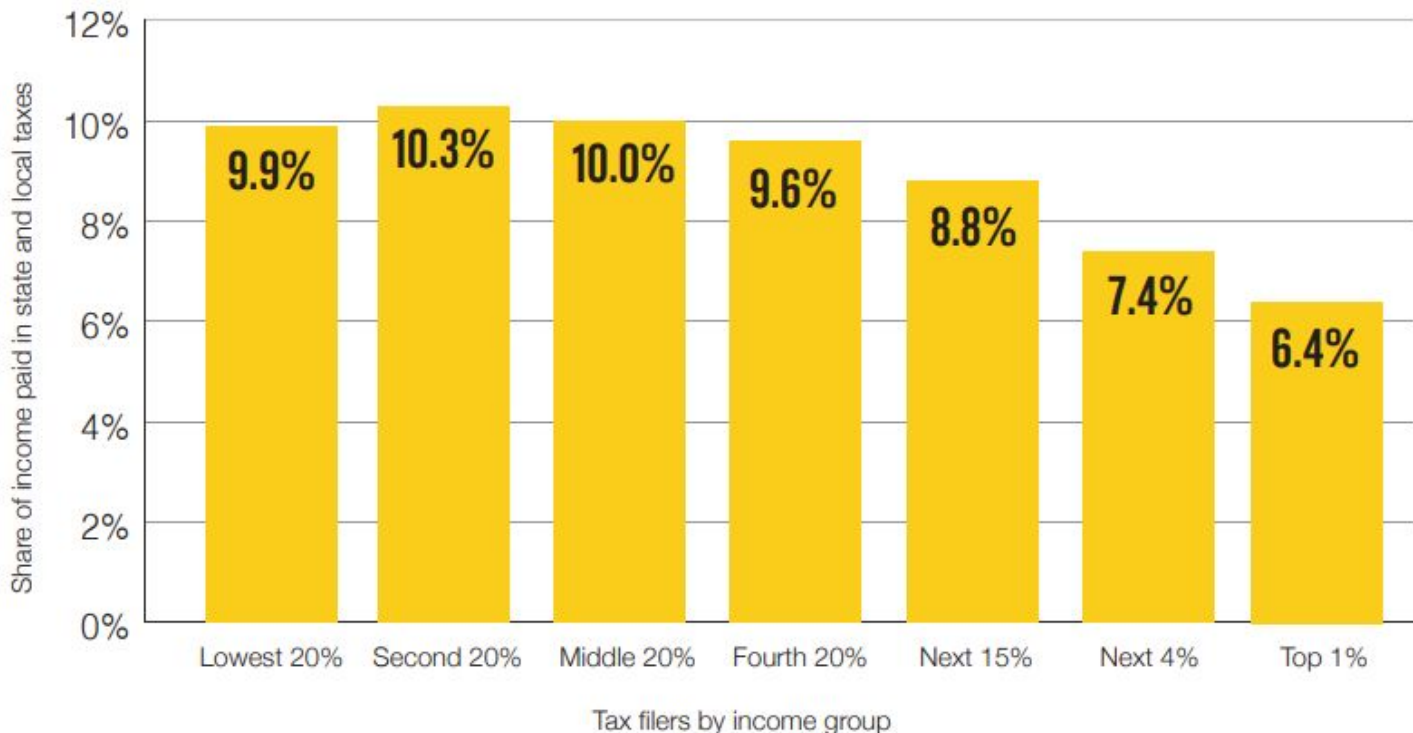
# People of color in NM have had fewer opportunities to build wealth





# New Mexico's tax system is upside-down

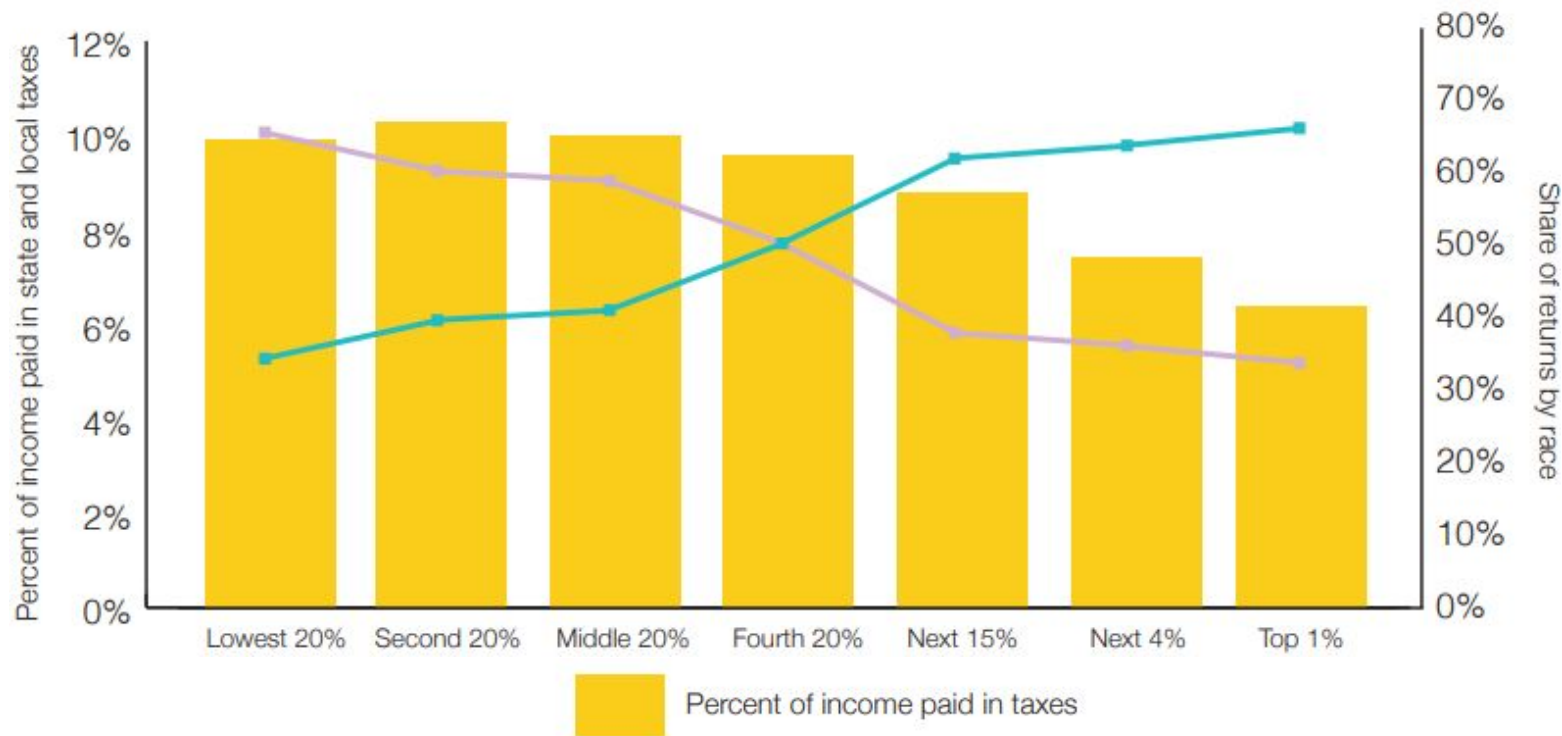
New Mexicans with the lowest incomes pay higher rates in state and local taxes (TY 2021)



Source: *Who Pays?*, Institute on Taxation and Economic Policy, 2018, updated in 2020 with income tax changes enacted in 2019

# Racial inequities persist in income distribution

People of color are more likely to pay higher portions of their income in state and local taxes



Sources: Who Pays?, Institute on Taxation and Economic Policy, 2018, updated in 2020



White taxpayers share of returns



Taxpayers of color share of returns





**Progress is possible**

# 2019-2021 tax credit changes supported families and improved equity

- **2019:**
  - 70% increase in the Working Families Tax Credit (WFTC)
  - Tax cuts for 70% of NM families with children
- **2021**
  - Increased Working Families Tax Credit by 47%
  - Expanded to new populations of workers: 10K ITIN filers; 41K young workers
  - Indexed and tripled low-income tax rebate (LICTR)
  - \$100 million+ more every year for families
  - Benefiting more than 512,000 households
    - Including 260K parents and 56K seniors
- **\$109 million in tax relief for essential workers**



# Federal Child Tax Credit impacts

## American Rescue Plan (ARPA) included temporary increase in the federal CTC

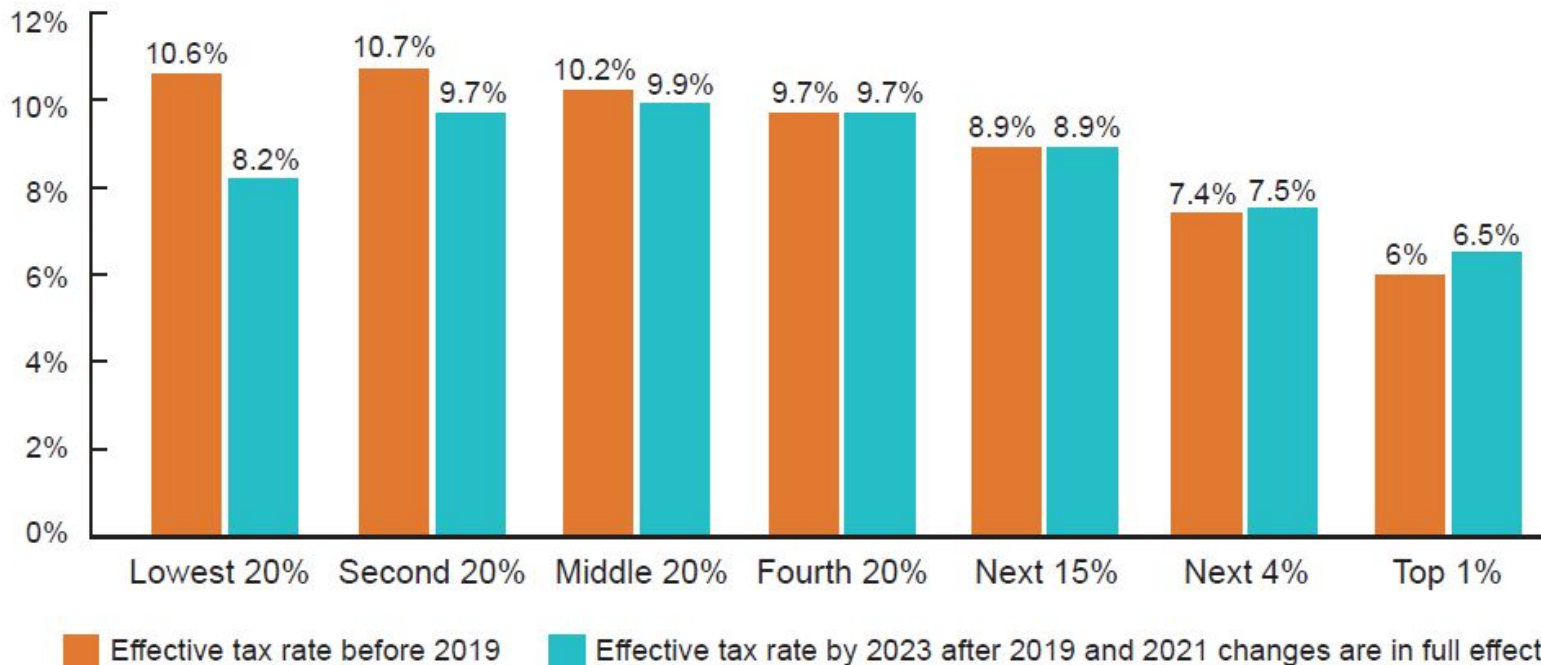
- \$3,000-\$3,600/child up to \$150,000
- Benefits 95% of NM children (450,000+ children)
- Most common expenditure: food
- ~\$700 million total
- Will lift 32,000 NM kids out of poverty

# 2019-2021 revenue improvements

- **2019:**
  - Higher rates for top 5% = more revenue, more fairness
  - Increased revenue from internet sales and multi-state corporations
- **2021: income tax revenue provisions did not pass**
  - Ensure top earners & big corps pay their fair share
  - Repeal tax break for high earners
  - House tax package (HB 291) passed both tax committees and full House then **revenue amended out**
- **2021:** health insurance premium tax raises revenue, supports health care affordability, keeps NM in line with federal guidelines
- **2019-2021:** many costly, regressive cuts for wealthy and big corps defeated

# This progress has made our tax code more fair

The share of income paid in state and local taxes (income, sales, excise, and property) by income quintile (2018-2023)



Source: Institute on Taxation and Economic Policy, July 2021  
NEW MEXICO VOICES FOR CHILDREN





# **NM tax policy has progressed in important ways**


- **More racially and ethnically equitable**
- **Better for families**
- **More progressive**
- **More and more diversified revenue streams**

A photograph of four children running happily in a park with autumn foliage. The children are wearing colorful winter jackets. The text is overlaid on the image.

**Where do we go from here?**

**Tax policy  
recommendations**



A photograph of a family of three sitting on the floor. A young girl with curly hair is on the left, high-fiving a man in the center. A woman is on the right, also high-fiving the man. They are all smiling and appear to be celebrating. The background is a simple, light-colored wall.

**Improving tax credits  
for families will drive  
economic recovery,  
improve equity, and  
support child well-being.**



# Child Tax Credit

A silhouette of a parent lifting a child into the air against a sunset sky. The parent is on the right, and the child is on the left, being held up. The sky is a mix of orange, yellow, and blue, with some clouds. The overall mood is warm and hopeful.

- **New tax credit of up to \$175 per child**
- **Linked to improvements in health, education, & economic outcomes**
- **75% would go to families of color**
- **Would directly address child poverty**
- **Cost: \$67 million**

**Supported by 72% NM voters**

A person is seen from behind, standing in a field with their arms outstretched towards a bright sunset. The sun is low on the horizon, creating a strong glow and silhouetting the person. The sky is filled with soft, golden light and some clouds. The overall mood is one of hope and achievement.

**Stable, sustainable, and  
diversified revenue builds  
the foundation for a  
stronger New Mexico.**

# The issues with cutting SS taxes

- Costly: \$100m less for other programs
- Exempting Social Security income would benefit higher-income seniors
  - 87% of the value to those making more than \$50,000
  - 66% of the value to those making more than \$75,000
  - Most to top 20% of income earners
- NM should promote growth by investing in young families
  - Population under 24 yrs is down; population 65 yrs+ is up 39%
  - Child poverty is twice the level of seniors in poverty
- Low-income seniors biggest beneficiaries of LICTR increase
  - 56,000 seniors tax received a tax cut with HB291



# Personal income taxes

## Issues

- 2003 personal income tax cuts of more than \$500 million
- Capital gains deduction unproven, costly, inequitable
- NM's PIT is significantly underutilized as compared to other states

## Revenue options

- Raise rates at high ends

**Supported by 70% of NM voters**

# The capital gains deduction

## Issues

- Income that an investor gets when selling an asset at a profit
- Overwhelmingly benefits the wealthiest taxpayers
- One of only 9 states that allows this deduction for all types of capital gains income
- An unproven and costly tax giveaway

## Revenue Options

- Repeal the capital gains deduction (\$50m +)



# Corporate income taxes

## Issues

- Corporations should be responsible for paying their fair share for use of NM's land, water, roads, & services
- Lower rate than national average
- Major cuts at state level in 2013 and federal level in 2017

## Revenue options

- Raise rates for more profitable corporations

**Supported by 63% of NM voters**



# The GRT

A photograph of a woman and a young child shopping in a grocery store. The woman is on the right, looking at a shelf of produce. The child is on the left, reaching up to touch a fruit. The entire image is overlaid with a semi-transparent green filter. The text 'The GRT' is at the top, 'Issues' is on the left, and 'Recommendations' is below it. A list of three items follows each. At the bottom, there is a website URL and a page number.

## Issues

- Regressive & complicated
- Rates have increased, especially in some localities
- E&Y study: taxpayers are treated differently; big business benefits the most

## Recommendations

- Broaden the base by repealing ineffective breaks
- Lower state rate
- Don't tax food



# Other revenue options

- Wealth taxes
- Alcohol taxes
- Tobacco taxes
- Motor Vehicle Excise Tax
- Property taxes (2nd residence?)
- Graduated real estate transfer tax
- Increase severance taxes on resource extraction (royalty payments)



A photograph of four children running happily on a dirt path in a wooded area. The children are diverse in ethnicity and are captured in a candid, joyful moment. The background is filled with trees and sunlight filtering through the leaves, creating a warm and natural atmosphere.

# Thank you!

New Mexico Voices for Children  
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