Fair Taxes, Stronger Families:

Poverty, Child Well-Being, and 2027 Tax Recommendations

Revenue Stabilization & Tax Policy Committee
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We champion public policies that improve the well-being of New Mexico's children, families, and communities.

Why Tax Policy?

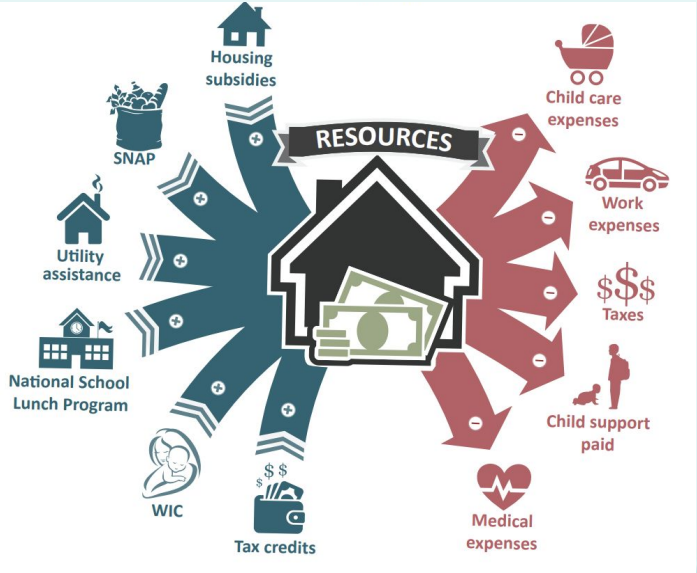
1. Adequate, reliable revenue funds the programs that matter most to kids and families
2. Tax policy is a powerful tool to advance equity and family economic security
3. Done well, it does both: reduces poverty today and builds the resources to invest in children

The OPM only measures money income

- Only includes pre-tax money income, such as:
  - Wages and salaries
  - Social Security benefits
  - Interest and dividends
  - Pensions and other retirement income

The SPM measures tax credits and non-cash income supports

- Shows how many households are lifted out of poverty by benefits
- Shows how many households are pushed in to poverty by expenses
- Thresholds include adjustment for geographic differences in housing costs

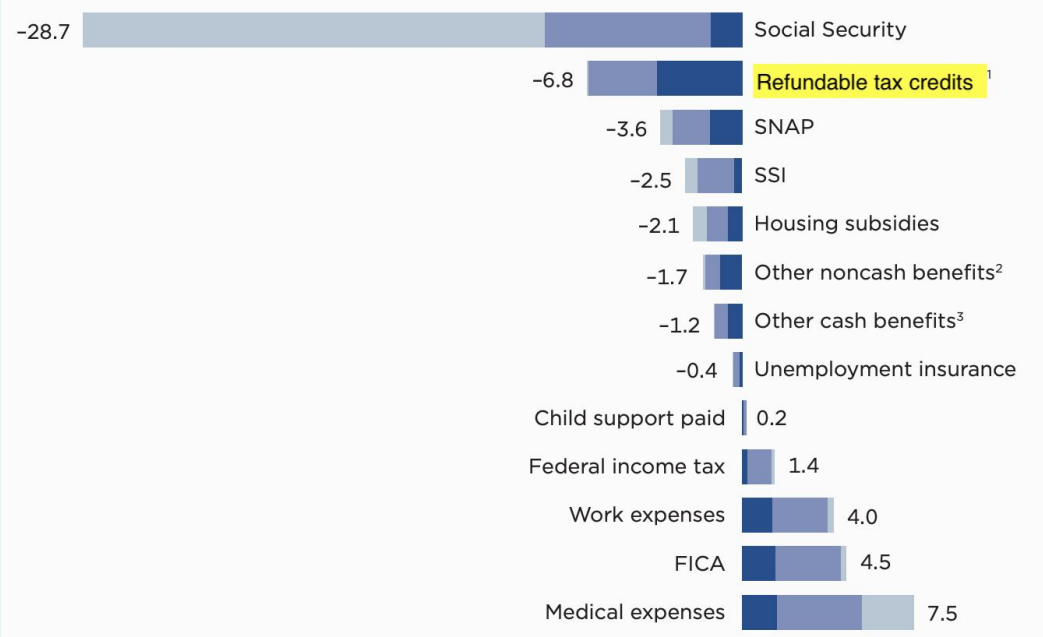


What policies move the needle for the OPM and the SPM?

- The OPM is improved by:
  - Higher wages
- The SPM is improved by:
  - Stronger tax credits
  - Improved tax fairness
  - Strong investments in income support programs
  - Low housing costs and other living expenses

National data shows the importance of refundable tax credits in reducing poverty

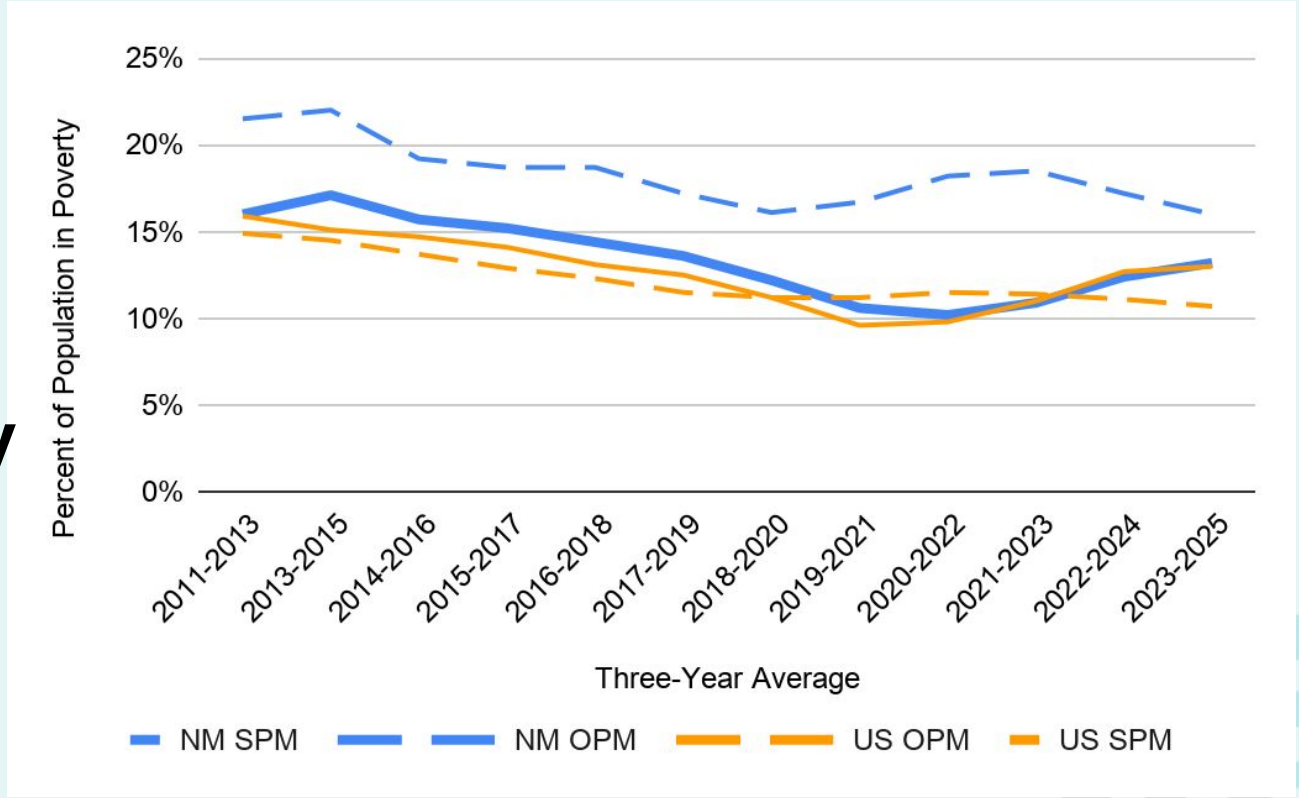
Change in Number of People in Supplemental Poverty After Including Each Element: 2024



Source: U.S. Census Bureau, Current Population Survey, 2025 Annual Social and Economic Supplement (CPS ASEC)

The supplemental poverty measure shows that our policies have a large impact on poverty rates, and, most importantly, the lives of New Mexico's children

Federal and state anti-poverty policies greatly improve poverty in NM



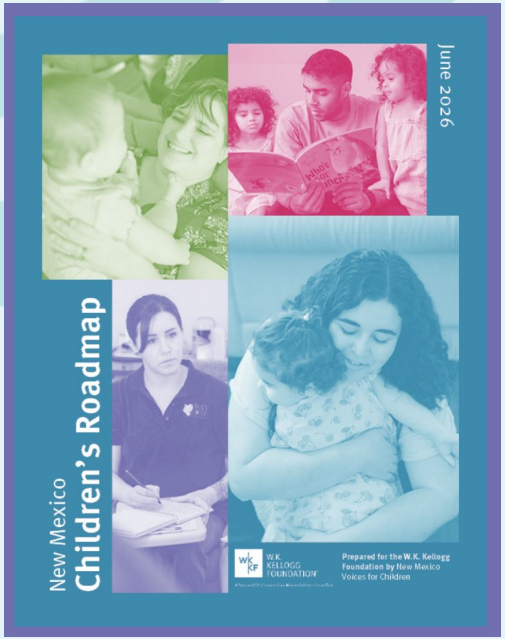
The temporary expansion of the federal Child Tax Credit resulted in the largest one-year decline in child poverty in 2021

- 454,000 NM children – **95% of the total** – benefited from the expanded CTC, reducing child poverty by 32,000
- When the expansion expired, the inverse occurred
- Under current law, 36.5% of children in New Mexico are ineligible for the *full* federal CTC
- New Mexico's state CTC supports the most vulnerable families in need of financial assistance

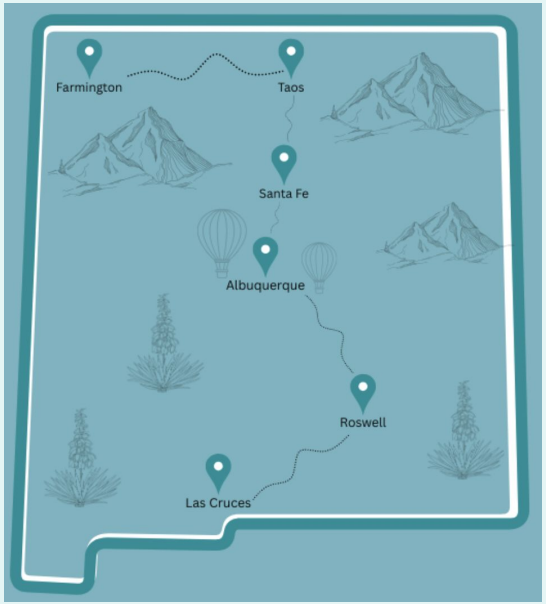
The federal Earned Income Tax Credit also improves poverty and economic security

- Expanded during the pandemic to include younger workers and seniors still in the workforce
- Together, the expanded EITC & CTC lifted an estimated 9.6M people out of poverty in 2021 compared to 6.8M in 2024
- EITC has many studied benefits, especially for families with children
  - Effectiveness of the EITC amplified as many states, like NM, have created and expanded their own credits

The Children's Roadmap: a whole child approach







The Roadmap includes three overarching categories:

Education and Care

Health and Wellbeing

Family Economic Security

New Mexico is making historic investments in kids—often in the face of challenging circumstances.



Education and Care funding | **grew 96%**



Health and Wellbeing funding | **grew 65%**



Family Economic Security | **grew 81%**

Tax policy and the Roadmap

1. **Tax credits put resources in family budgets** – lifting incomes and easing child care and health costs
2. **Revenue funds the investments** – child care, schools, and health care all depend on stable state revenue
3. **Indicators show if it is working** – baselines, disparities, and progress over time

Moving the Needle for Economic Security

Increase the rate of single-parent households that meet the living wage threshold by:

85%

Current: 27%
Goal: 50%

Decrease the rate of children in New Mexico that are uninsured by:

50%

Current: 6%
Goal: 3%

Increase the rate of families claiming the state CTC by:

10%

of eligible families
Current: 90%
Goal: 100%

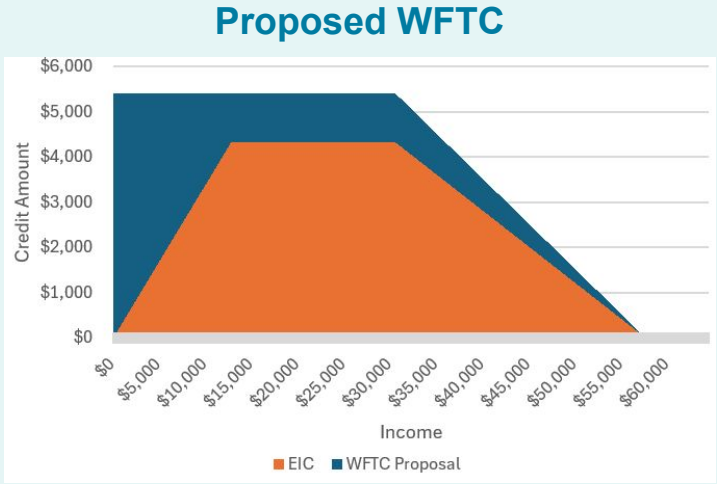
Tax recommendations to improve fairness and family economic security

You don’t wait until it’s raining to fix the roof.

Revenue is strong now. This is the time to stabilize our tax system.

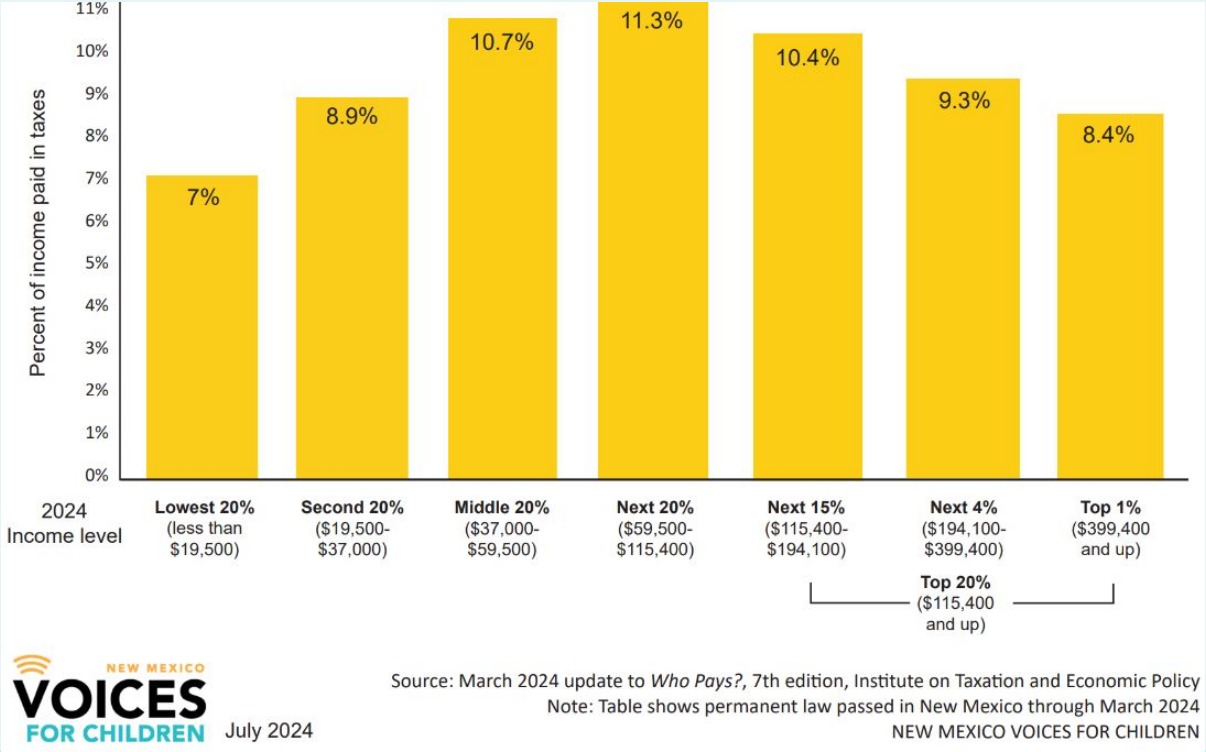
Strengthen the Refundable Tax Credits

- **WFTC**
  - Decouple from federal EITC – ensure continued eligibility for those without an SSN
  - Maximum credit from the first dollar earned, with no ramp-up
- **CTC**
  - Level of funding
  - Eight states target higher CTCs to young children under 6
  - Outreach to increase takeup rates



We can do more to address lingering regressivity and raise reliable revenue

Share of family income paid in state and local taxes by income group (2024)



NEW MEXICO VOICES FOR CHILDREN

July 2024

Source: March 2024 update to *Who Pays?*, 7th edition, Institute on Taxation and Economic Policy
Note: Table shows permanent law passed in New Mexico through March 2024
NEW MEXICO VOICES FOR CHILDREN

Building a fairer tax system

- **Personal income tax**
  - Raise the rates on top earners and reduce rates for those in middle-income brackets
- **Wealth proceeds tax**
  - What it is: A tax on investment income and gains of high-income households
  - Why needed: income from wealth is taxed roughly 40% lower than wages at the federal level
- **GRT**
  - Repeal the 14 GRT exemptions LFC found hurt revenue and the economy
  - Explore opportunities to eliminate more exemptions and lower the rate
- **Estate and Inheritance taxes**
  - 12 states and the District of Columbia impose estate taxes
  - 5 states levy inheritance taxes.

Protect against backsliding

- **Oppose elimination of the personal income tax**
  - Benefits would flow overwhelmingly to the wealthy
  - New Mexicans with low incomes could actually end up worse off
- **Repeal Governor's decision to opt into Trump's school voucher program**
  - Benefits disproportionately wealthy families who have already enrolled their children in private schools
  - Harms public schools
    - Declining enrollment
    - Remediation for returning students
    - Pressure to charge for basic services

The 2027 package at a glance

Proposal	Impact on children and families	Fiscal effect
WFTC: decouple from EITC; fix SSN rule	Full credit for lowest-income workers; immigrant families included	Cost: estimate pending
CTC: fill the federal ramp-up gap	Maximum combined benefit for the lowest-income families	Cost: estimate pending
PIT: top 1% rate from 5.9% to 6.9%	More progressive system; funds investments in kids	Revenue: estimate pending
Repeal 14 GRT exemptions	Broader base helps keep the GRT rate low	Revenue: per LFC; pending
4% wealth proceeds tax	Asks more of high-income investors	Revenue: estimate pending
Modest inheritance tax	Taxes concentrated inherited wealth	Design and estimate pending

Sustain and protect investments in non-tax credit anti-poverty policies

- Supplemental Nutrition Assistance Program (SNAP)
- National School Lunch Program and universal school meals

Looking ahead

1. **Sustain what works** – protect proven anti-poverty investments
2. **Build reliable revenue** – adequate, diversified, and less dependent on oil and gas
3. **Measure progress** – use Roadmap indicators to guide policy and budget decisions

A fairer tax system means stronger futures for New Mexico's children and families

Thank you!

New Mexico Voices for Children

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