

Improving Economic Equity and Child Well-Being Through Tax Policy

Revenue Stabilization and Tax Policy Committee
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New Mexico Voices for Children

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www.nmvoices.org

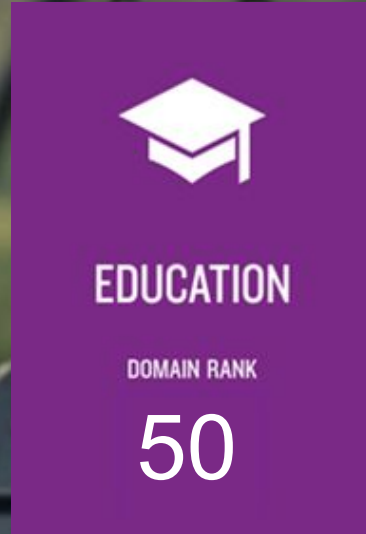
A group of diverse children are playing outdoors in a park-like setting. They are smiling and blowing bubbles. The background is filled with green trees and foliage, creating a bright and cheerful atmosphere. The children are of various ethnicities and are dressed in casual clothing. The overall scene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

2020 KIDS COUNT rankings




50th overall *using pre-pandemic 2018 data*



Before the pandemic hit, we were moving forward on a path to prosperity.

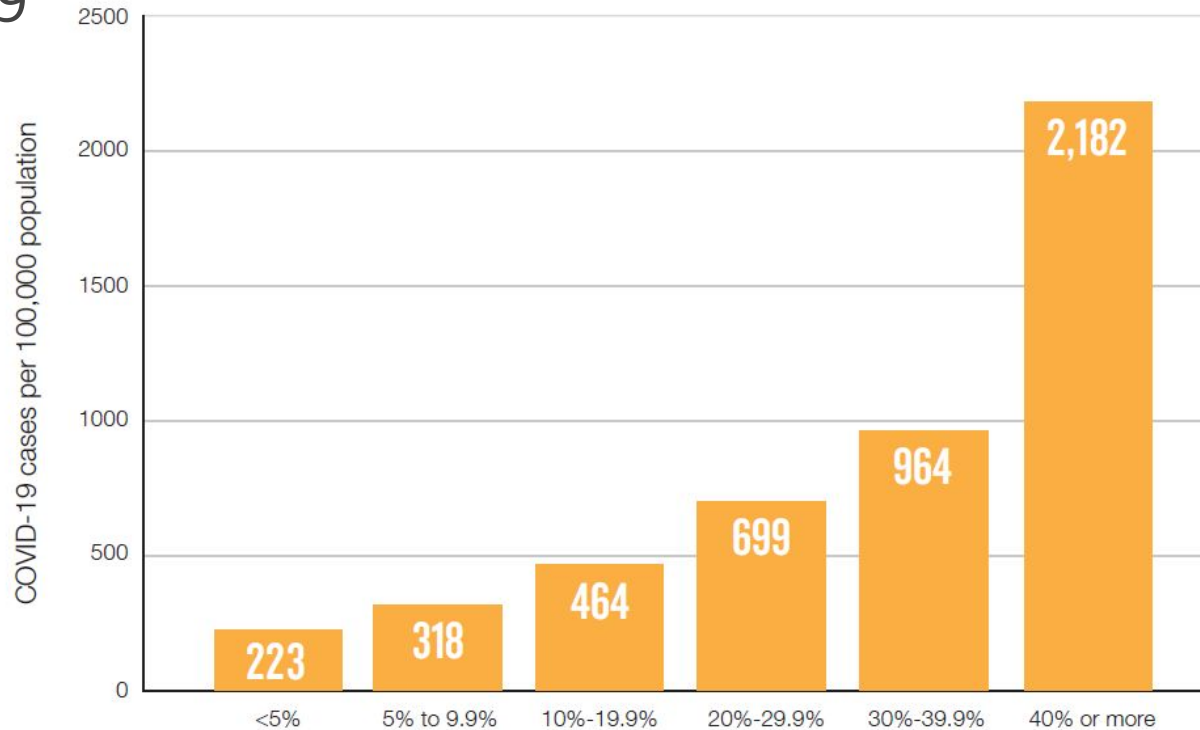
In 2019 and 2020,

- Improved fairness in our tax code
- Raised important revenue
- Increased funding for important programs and services
- Extended relief and protected health and safety of workers

An aerial photograph of a deep, rugged canyon. A river flows through the center of the canyon. The surrounding landscape is a vast, flat plain with sparse vegetation, extending to a range of mountains in the distance under a hazy, sunset sky. The text is overlaid in the center of the image.

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

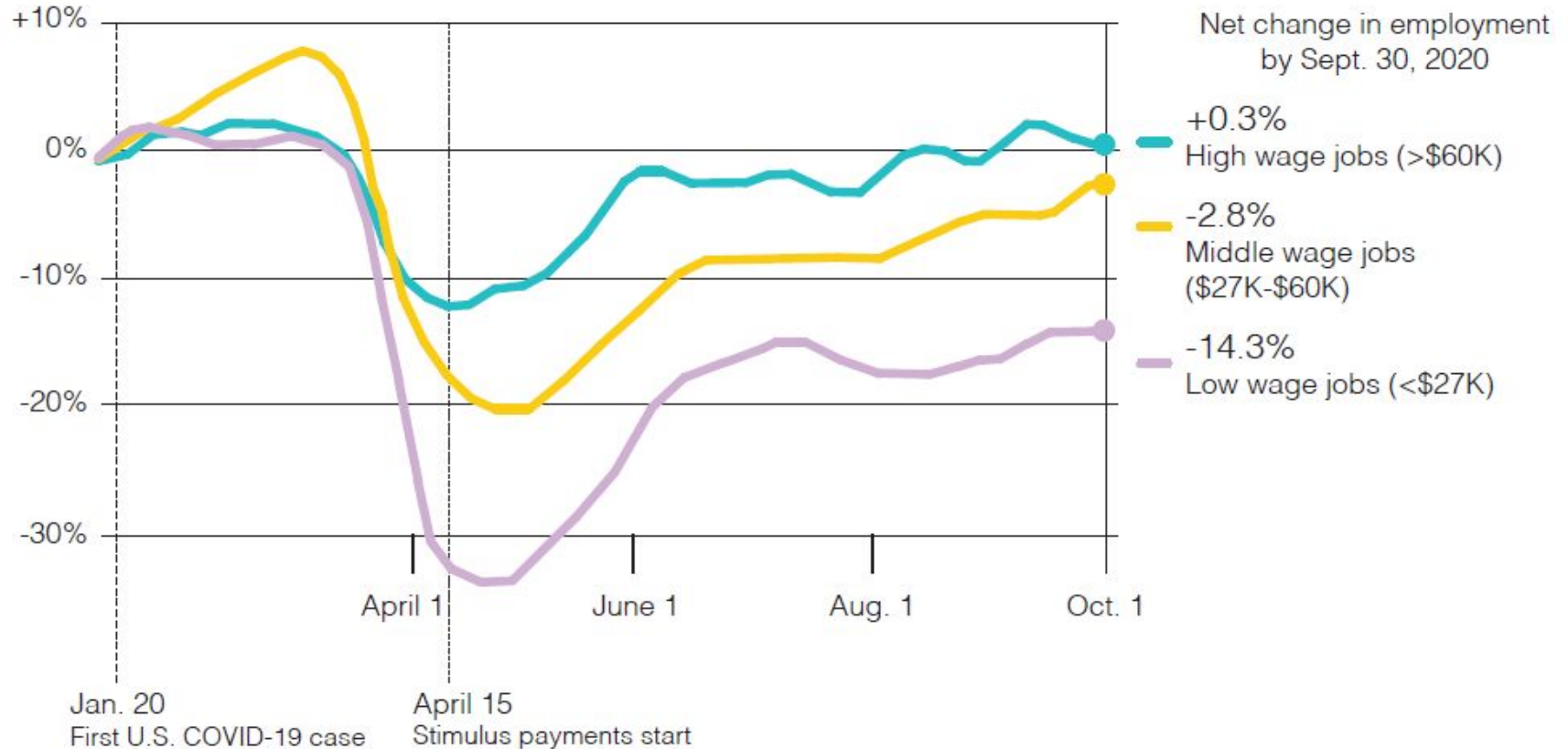
Lower-income New Mexicans at greater risk of contracting COVID-19



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

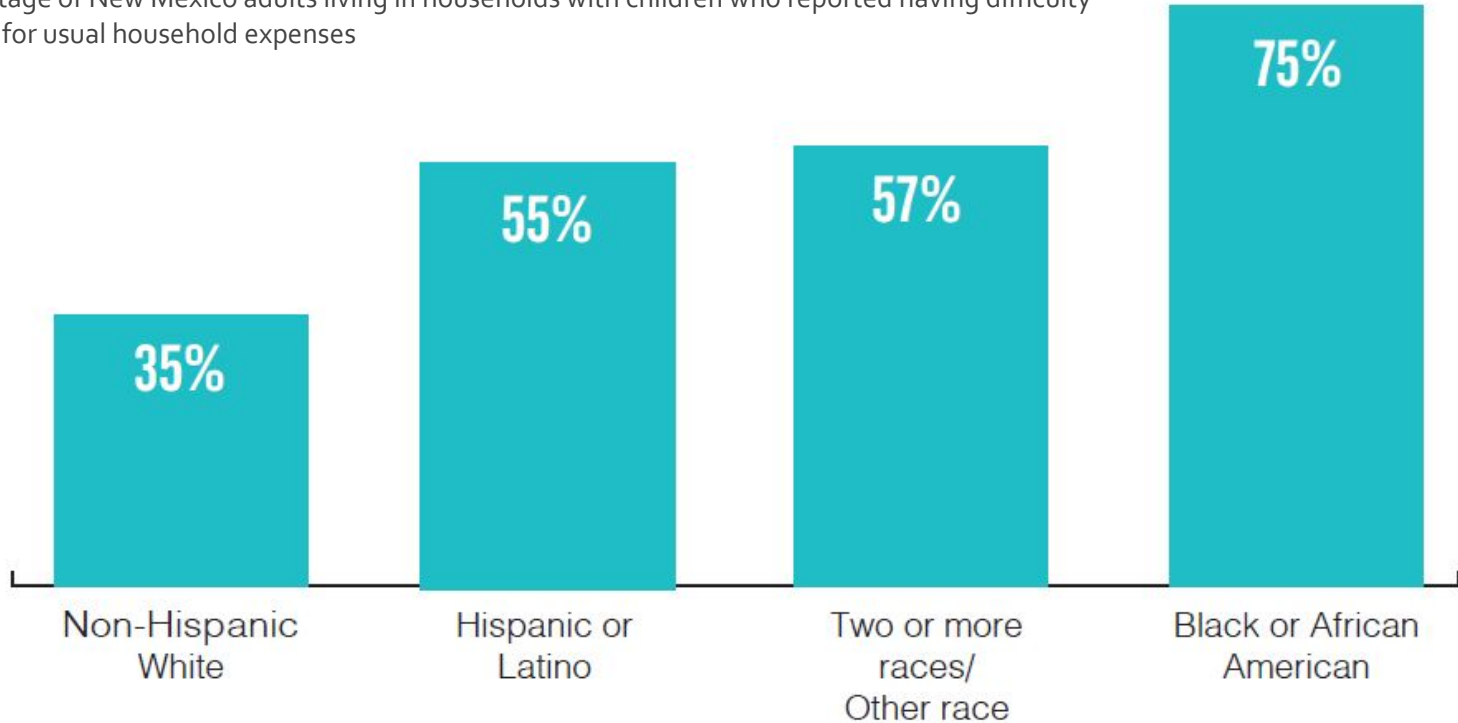


COVID-19 has disproportionately harmed people of color

- 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 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 are having a harder time affording basic necessities

Percentage of New Mexico adults living in households with children who reported having difficulty paying for usual household expenses



Source: Population Reference Bureau analysis of the U.S. Census Bureau, Household Pulse Survey, Phase 2, 2020

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

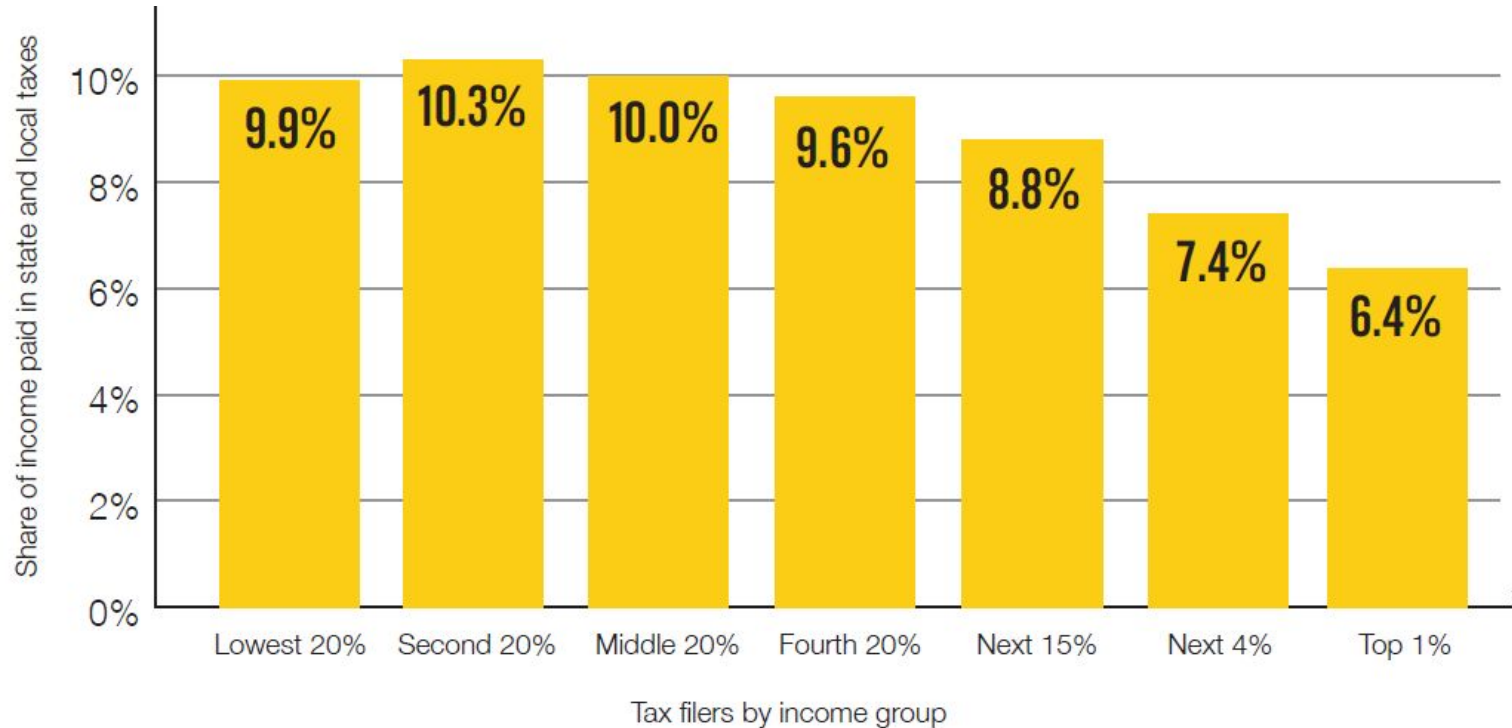
- Women = 47% of NM workers but 64% of frontline workers
- More mothers than fathers have lost wages, decreased work hours, and exited the labor force
- Mothers with young children have reduced their work hours 4 to 5 times more than fathers
- The gender gap in work hours has grown by 20-50%

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.



New Mexico's Tax System is Upside-Down

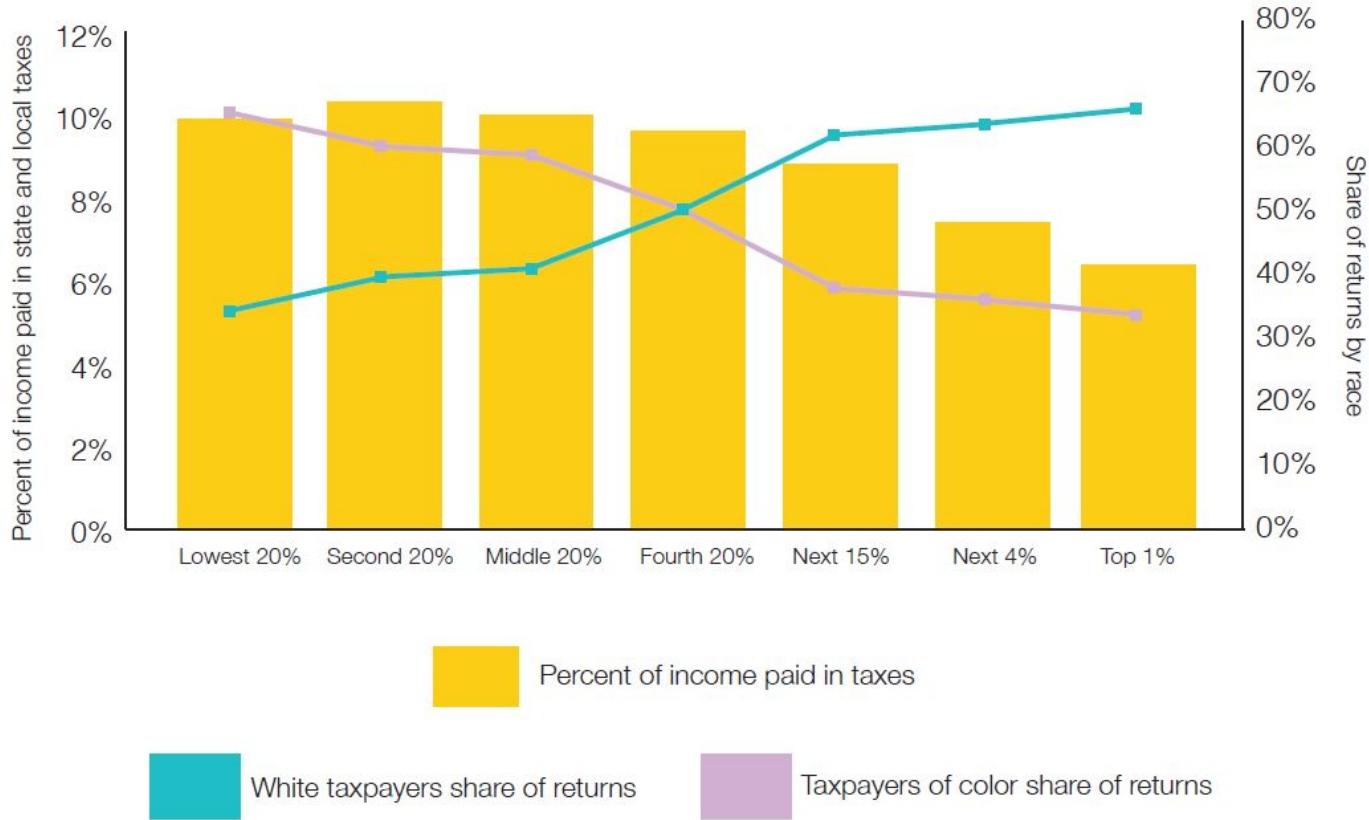
Share of Income Paid in State and Local Taxes by Income Group (2020)



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

New Mexico's Tax System Benefits White Taxpayers

Share of Income paid in State and Local Taxes and Share of White Taxpayers and Taxpayers of Color by Income Group



A photograph of four children running happily in a park. The child on the left is a girl in a bright pink puffer jacket and light pink pants. The child in the center is a girl in a dark blue puffer jacket, a grey scarf, and leopard print leggings. The child on the right is a boy in a blue and grey puffer jacket and blue pants. The background is filled with trees with yellow and orange autumn leaves. The text "Tax policy recommendations" is overlaid in the center in a large, white, sans-serif font.

Tax policy recommendations

The Working Families Tax Credit (WFTC)

- Claimed by 1 out of 4 filers
- 14,000 NM veterans claim it
- 97% of the value goes to working families with kids
- Proven to reward work & improve outcomes for kids
- Good for business, the economy, & 200,000 NM families
- Best measure for reducing poverty

Improving the WFTC



End exclusions

- ITIN filers (\$5m)
- Young workers 18-24 (\$2m)

Increase

- Rate increase to 20% of EITC (\$15m)
- Increase for parents of young children under 6 yrs (\$7-29m)

Temporary increase

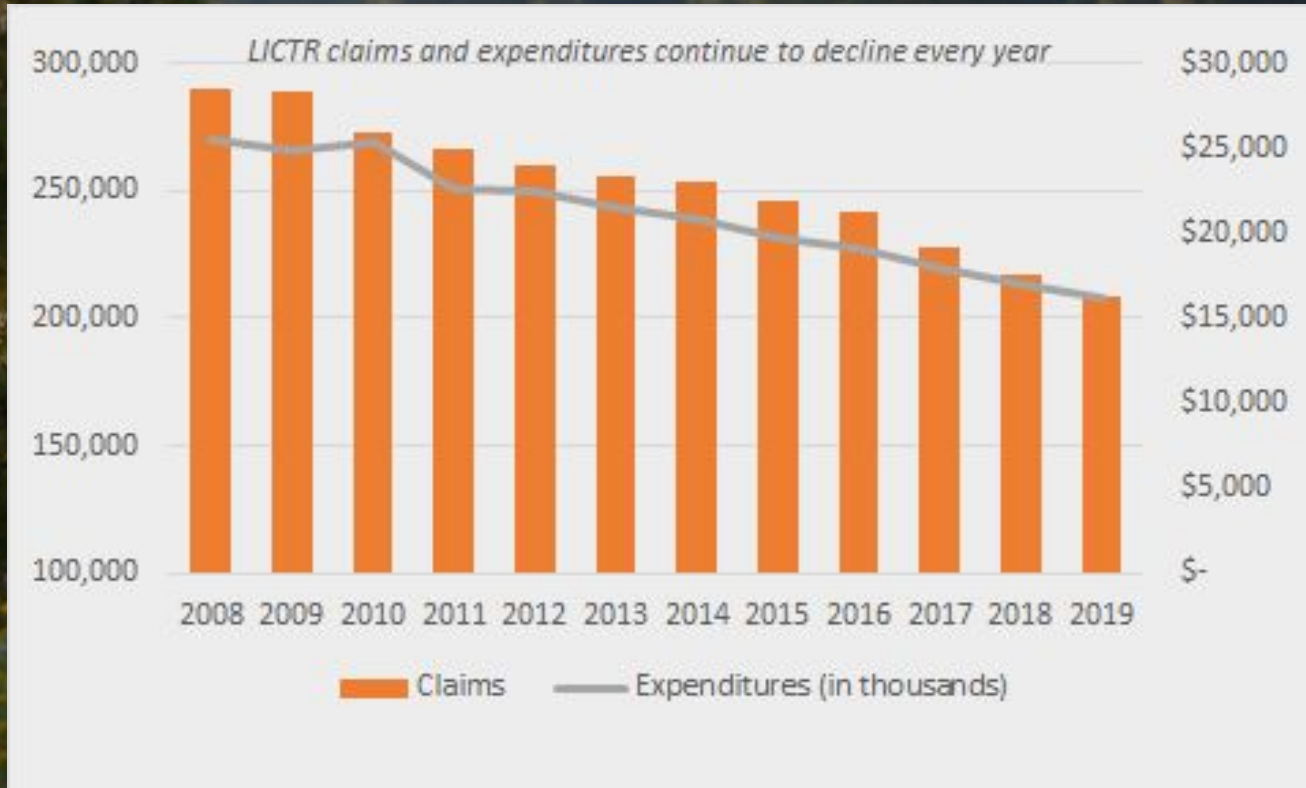
- Help essential workers and low-income working families meet basic needs, stimulate local economies

Supported by 80% of NM voters

The Low-Income Comprehensive Tax Rebate (LICTR) helps those most in need

- Targeted to very low-income taxpayers (under \$22,000)
- Benefits kids, families, and seniors
- Designed to offset regressivity, but returns only \$16 million (compared to the \$2 billion GRT) to the low-income families
- Hasn't been updated in 22 years
- Claims have decreased by 28% since 2008

LICTR has lost value over time



Improving LICTR

Indexing LICTR to inflation from 1998:

- Increase income threshold to \$34,000
- Benefit 125,000 more New Mexicans every year
- Provide economic relief, improve equity and progressivity
- Cost: \$29 million

Temporarily doubling LICTR:

- Utilize LICTR to provide crucial COVID relief for those most in need while also stimulating the economy
- Cost: \$16 million/year

Child Tax Credit



- 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

Outstanding needs

- COVID and recession risks linger, economic relief needed
- Massive infrastructure needs
- Educational lawsuit responsibilities
- Agency vacancy & retention rates
- Outstanding tax protest refund claims
- Local governments lawsuit
- Public employees retirement system needs
- Film subsidies
- Oil and natural gas market dynamics

Stable, sustainable, diversified revenue helps build a stronger future

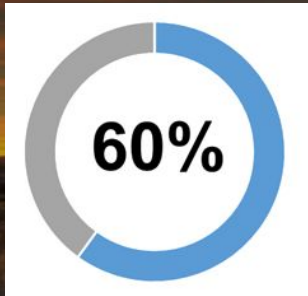
- Declines in O&G account for 70% of projected revenue decline for FY21
- Volatility and decline put NM at risk
- We must build our future on a broader, stronger foundation so that generations of kids can meet their full potential



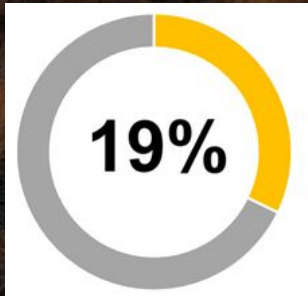
Investing in families and communities will drive economic recovery

- Austerity will slow economic recovery
- Meeting basic needs, creating opportunities for workers, and getting money circulating in the economy is our surest path to pandemic and economic recovery

Voters want more state investments during the pandemic and recession, even if it means higher taxes



State government should invest more in the state and its residents, ensuring they are safe, healthy, are economically secure, even if it means some people have to contribute a little more in taxes.



State government should keep taxes low, even if it means cutting funding for education and infrastructure and cutting unemployment insurance and healthcare coverage.

Personal income tax revenues

Issues

- 2003 personal income tax cuts
 - More than \$500 million
 - Capital gains deduction unproven & costly
 - Made our system more regressive
- E&Y and PFM studies: NM's PIT is significantly underutilized

Revenue options

- Fully repeal the capital gains deduction
- Raise rates at high ends
- Tax all of a high earners income at same rate (rate recapture)

Supported by 70% of NM voters

Corporate income tax revenues

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
- Important source of revenue for Film Tax Credit

Revenue options

- Raise rates for more profitable corporations

Supported by 63% of NM voters

Other revenue options

- **Land Grant Permanent Fund**
- **Alcohol and tobacco taxes**
- **Health Insurance Premium Tax**
- **Motor Vehicle Excise Tax**
- **Re-examining GRT expenditures**
- **Other options**

We're all in this together





Thank you!

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