

# Tax Policy & Child Well-Being

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NEW MEXICO  
**VOICES**  
FOR CHILDREN

Income **inequality** is

“The defining issue of our time”

- *President Barack Obama, December, 2013*



"Just as the commandment  
'Thou shalt not kill'  
sets a clear limit in order to safeguard the  
value of human life, today we also have to say  
'thou shalt not'  
to an economy of exclusion and **inequality**.  
Such an economy kills."

- *Pope Francis, TIME Person of the Year, Nov. 29, 2013*



# Why is NM 50<sup>th</sup> in Child Well-Being?

## Economic factors

- Recession
- Slow recovery
- Long-term poverty

## Policy choices

- Cuts to higher education
- Cuts to K-12 education
- Tax cuts without *quid pro quo*



## Bottom of the ranks



A GROUP OF CHILDREN smile in their classroom at Jardín de los Niños on Monday where they are cared for during the day. Children ranging from six weeks old to 10 years of age are cared for at the facility because they are either near homelessness or their families are homeless and they are at risk until they are in a stable environment for at least one year, according to Celia Valdez, child services coordinator with Jardín de los Niños. New Mexico ranks 50th in the U.S. for child well-being, according to the 2013 Kids Count report.

## NM last in nation for child well-being

### Troubling statistics continue state trend

By Lindsey Anderson  
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LAS CRUCES — No more "Thank God for Mississippi." New Mexico is dead last in child well-being, according to the 2013 Kids Count report, taking the spot held by Mississippi since 1990.

Kids Count, released annually by the nonprofit Annie E. Casey Foundation, ranks the states on 16 indicators of child well-being, including economic well-being, education and health.

New Mexico's drop to 50th is largely due to improvement in Mississippi made in half of the indicators, especially the number of children attending preschool and children in families where the head of home lacks a high school diploma. Mississippi is now 49th.

New Mexico has never ranked above 40th since the

data was first compiled in 1990. Louisiana, Arizona and Nevada were also in the bottom five, while New Hampshire, Vermont, Massachusetts, Minnesota and New Jersey were in the top five.

New Mexico saw significant increases of children in poverty, children whose parents lack secure employment and children living in households with a high housing cost burden — three of the four indicators of economic well-being — from the mid-2000s to 2011, according to the report.

"Child poverty is very bleak," said Shirley Jacques, director of Jardín de los Niños, which serves homeless and near-homeless children in the Mesilla Valley. "When you start out with child poverty already being very high, with a recession hit, there's no way to go but down."

"We see people lined up here at the soup kitchen, and the



THE ANNIE E. CASEY FOUNDATION ranks the 50 states using 16 specific indicators to determine a child's well-being, including economic security, education and health.

Kids Count is a "wake-up call" for legislators to improve the lives of New Mexico's children, she said.

Unstable employment forces families to choose between food, shelter and health care for their children, Jacques said. "For children who don't receive that care they need when they need it," she said. "They're

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# Why is NM 50<sup>th</sup> in Child Well-Being?

Measured across four domains:

- Economic Well-Being
- Education
- Health
- Family and Community



# Economic Well-Being Indicators

## Children in poverty

- Worsened since 2005

## Children whose parents lack secure employment

- Worsened since 2008

## Children living in households with a high housing cost burden

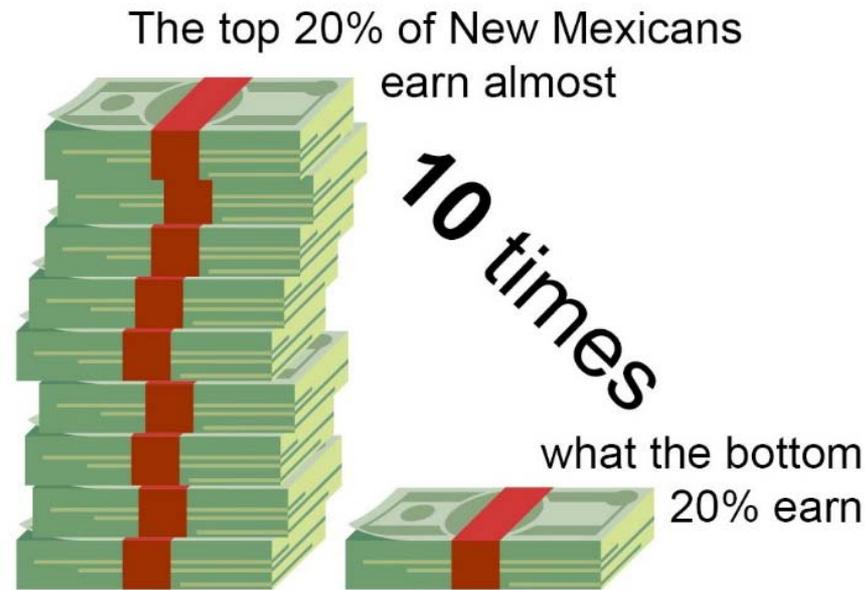
- Worsened since 2005

## Teens not in school and not working

- Worsened since 2008



# Income Inequality – Worst in the U.S.



## Inequality has worsened since the 1970s

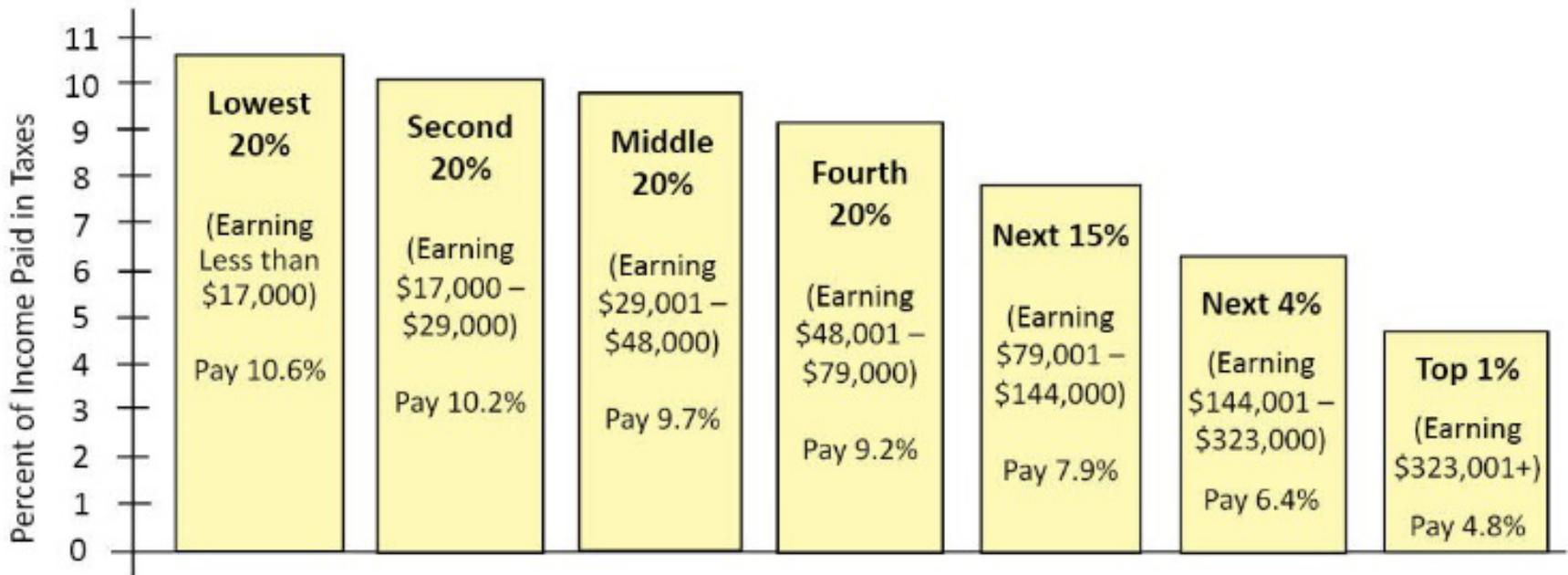
- Income of poorest 20% has increased 13.0%
- Income of middle 20% has increased 25.8%
- Income of richest 20% has increased 73.8%

Our tax system hasn't recognized these harsh realities

# Harsh Reality of NM's Tax System

Regressiveness is measured by percent of income paid in taxes

Our tax system is regressive



The least wealthy pay more than twice as much as the most wealthy!

# Our Tax System Should Help, Not Hurt our Children and Families

## Legislative Finance Committee Tax Policy Principles:

- 1. Adequacy: Revenue should be adequate to fund needed government services.**
2. Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity: Different taxpayers should be treated fairly.**
4. Simplicity: Collection should be simple and easily understood.
5. Accountability: Preferences should be easy to monitor and evaluate



# Increase the Working Families Tax Credit

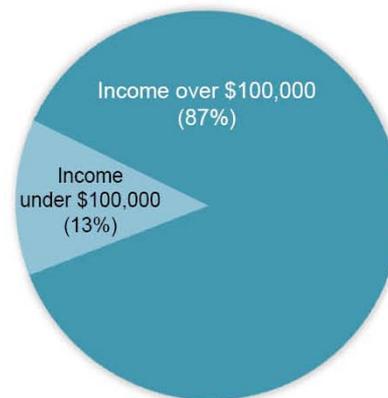
- Increase the credit from 10% of the Earned Income Tax Credit to 15% of the EITC.
- Makes our tax system less regressive and helps those working families most in need.
- Known to be the nation's most successful program at lifting families from poverty.
- Solid bipartisan support – EITC passed by Gerald Ford and increased by Ronald Reagan and George W. Bush.
- Cost of the increase: \$24 million.



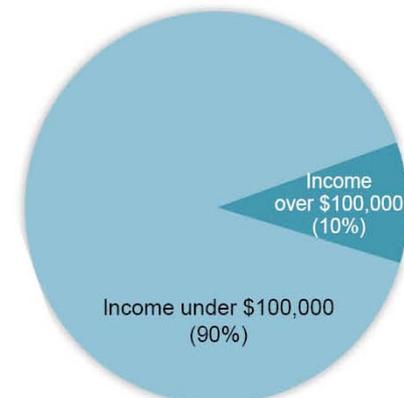
# Repeal 50% Deduction for Capital Gains Income

- No economic development value.
- Unfair to tax earned income at a higher rate than unearned income.
- Makes our tax system more regressive.
- Repeal would provide \$30 – \$50 million in much-needed revenue for education and other essential services.

Almost 90% of Capital Gains Income Goes to 10% of New Mexico Tax Filers



Share of Capital Gains Income by Tax Filer Income Level



Share of Tax Filers by Income Level

# Enact a New 5.9% PIT Rate for High Income Earners

- Equalize the top PIT and CIT rates.
- Restore some fairness / make the tax system less regressive.
- Raise much-needed revenue for education and other essential services.



# Enact Combined Reporting for all CIT Filers, Not Just Big-Box Retailers

- Level the playing field for New Mexico businesses who can't shelter their profits out-of-state.
- Improve the competitiveness of New Mexico businesses.
- Raise much-needed revenue for education and other essential services.



# Enact a Tax Expenditure Budget and Improve Tax Transparency and Accountability

- Allows for better evaluation of tax policies against accepted Tax Policy Principles, including those adopted by the LFC.
- Builds greater transparency and accountability into our tax system.
- Tax breaks should have a sunset clause and evaluated for performance before being renewed.
- Tax breaks should be linked to job creation performance.



# Thank you!

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