



PRESS RELEASE

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Report: NM Has Lessened Income Tax Bill for Low-Income Families

ALBUQUERQUE—A report from the Center on Budget and Policy Priorities (CBPP) shows that when it comes to paying state personal income taxes, low-income families fare better in New Mexico than they would in most other states. That's because New Mexico's threshold for personal income tax for working families is fairly high compared to other states. The 'threshold' is the income level at which people begin to pay income taxes. The higher the threshold, the more a person has to earn before they are liable for income taxes.

Montana, for example, has the lowest income tax threshold for a two-parent family of four. So a two-parent family of four in Montana begins to pay state income taxes when they make just \$12,000—even though the poverty level for this family configuration is \$21,947. In New Mexico, this same family would not be liable for state income taxes until they earn \$39,500. Only one state—New York—has a higher income tax threshold for this family.

One reason the report cites for New Mexico's high threshold is that the state offers two refundable tax credits for low-income residents—the Working Families Tax Credit and the Low-Income Comprehensive Tax Rebate.

"Refundable tax credits for low-income families is one of the things New Mexico does right in its tax system," said Gerry Bradley, Research Director for New Mexico Voices for Children. "Since the Working Families Tax Credit was enacted in 2007, the state income tax system has actually benefited low-income families. This is the way income taxes are supposed to work—to balance out general sales taxes, which eat up a much higher percentage of the earnings of a low-income family. Unfortunately, what this report does not address, is that we also cuts taxes for those New Mexicans with the highest incomes and that has caused a real problem for the budget. By and large, we've elected to fix that problem by cutting back on the very programs meant to help low-income families," he added.

The full CBPP report, *The Impact of State Income Taxes on Low Income Families in 2009*, is available online at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3173>

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New Mexico Voices for Children is a nonpartisan, nonprofit organization advocating for policies to improve the health and well-being of New Mexico's children, families and communities.
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