



## PRESS RELEASE

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### **NM's Capital Gains Tax Break Costs State \$51 Million a Year** Repeal of the tax break would ease budget woes and improve tax fairness

ALBUQUERQUE—While looking for ways to plug state revenue shortfalls for the next few years, New Mexico's Legislature should consider repealing the capital gains tax break. That's one of the conclusions of a report released Friday by the Institute on Taxation and Economic Policy (ITEP). The report, *A Capital Idea*, finds that New Mexico could save upwards of \$51 million per year if it were to repeal the capital gains tax break.

"New Mexico's capital gains exclusion deprives the state of millions of dollars in needed funds," said Gerry Bradley, Research Director for New Mexico Voices for Children. "It benefits almost exclusively the very wealthiest, and does nothing to stimulate economic growth."

New Mexico is one of just nine states to grant preferential tax treatment to capital gains income. Together, those states will lose more than \$660 million in 2008 from such policies, according to the report. Capital gains are the profits realized from the sale of assets such as stocks, investment real estate, or antiques.

Very few working-class New Mexicans have capital gains income that is subject to taxation. As the report notes, taxpayers with adjusted gross incomes of less than \$50,000 comprised 73 percent of all federal returns filed by New Mexicans in 2006, but constituted just 9 percent of returns with income from capital gains. In fact, taxpayers in this income group received just 5 percent of the total capital gains income reported by New Mexicans on their federal tax returns that year.

The impact of repeal, then, would fall almost exclusively on the most affluent state residents. More specifically, the report finds that 73 percent of the additional tax revenue generated by repeal would be paid by the richest 1 percent of taxpayers in New Mexico – families and individuals with incomes over \$350,900 in 2008.

"New Mexico lawmakers face a clear choice," said Jeff McLynch, ITEP's Northeast Regional Director and one of the authors of the report. "They can keep in place a tax break that largely benefits the wealthy few or repeal it and fund the investments in education and infrastructure that will speed economic recovery."

"Right now, legislators from Rhode Island to Hawaii are searching for solutions to mounting budget deficits. Repealing costly, inequitable, and ineffective tax breaks like New Mexico's capital gains exclusion are the first place they should look," he added.

The New Mexico fact sheet from *A Capital Idea* is attached as a pdf. The entire report is available at [www.itepnet.org](http://www.itepnet.org).

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Based in Washington, DC, the Institute on Taxation and Economic Policy is a non-profit, non-partisan research organization that seeks to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy.

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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