



PRESS RELEASE

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Report: New Mexico Shows Slight Improvement on Tax Burden of Poor Highest-income New Mexicans still pay lowest percentage of their income in taxes

ALBUQUERQUE—A new report by the Institute on Taxation & Economic Policy (ITEP) shows that New Mexico has improved when it comes to taxing its lowest-income residents, but its highest-income residents now pay an even lower percentage of their income in taxes than do the lowest-income earners, showing that they benefited most from recent changes in the state's tax system.

The report, *Who Pays?*, is a follow-up to a similar report released in 2003. It looks at family income for non-elderly taxpayers, and includes state and local taxes paid on income, sales and property, as well as state refundable tax credits. In the 2003 *Who Pays?* report, New Mexico was one of the ten worst states in terms of its tax burden on the poor. We're no longer in the worst ten, although the report does not rank states that are doing better than that measure.

"While things have improved some for our low-income workers, the real story here is that things have vastly improved for those in the highest income bracket," said Gerry Bradley, research director for New Mexico Voices for Children.

New Mexicans in the lowest income bracket (those who earn less than \$16,000) pay nearly 11 percent of their income in taxes while those in the top 1 percent (earning \$395,000 or more) pay 5 percent of their total income in taxes. In 2003, the bottom 20 percent paid 12 percent of their incomes in taxes, while those at the top paid nearly 9 percent.

"The lower your income, the higher the percentage of it you pay in sales taxes," said Bradley, "This is because lower-income families generally need to spend all of their income on day-to-day necessities that are taxed, while those in higher brackets can set some of their income aside."

The report points to changes in New Mexico's income tax made since 2003. "While low-income workers now have more credits and exemptions, high-income workers received the lion's share of the rate cut enacted in 2003," said Bradley. "These changes lessened the tax liability much more significantly for those at the top than it did for those at the bottom."

The report also lists New Mexico as one of seven states with a "notable preference" for capital gains tax -- meaning we tax a smaller percentage of capital gains income than most states. Capital gains income is the profit realized from the sale of property, stock and bonds, antiques, etc., so this disproportionately benefits the wealthy.

The full *Who Pays?* report and the state-specific tables are available online at:
<http://www.itepnet.org/whopays.htm>

ITEP is a Washington DC-based non-partisan research and education organization that works on government taxation and spending policy issues.

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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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