



New Mexico Fiscal Policy Project

Raising the Bar by Raising the Personal Income Tax Threshold

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Personal income tax (or PIT) is the tax we pay to the federal and state government every April, based on how much money we earned in the previous year.

The PIT threshold is the income level at which a worker begins to pay income tax.

Why That's the Pits

The threshold in New Mexico is just above the federal poverty level (or FPL), but it should be set at twice the FPL. That's because even people earning twice the FPL suffer significant hardships.

According to the US Census Bureau, families living at twice the FPL face problems like food insecurity (not having enough to eat or missing meals), insufficient health care, housing hardships such as disconnected utilities and doubling up with friends and families, and inadequate childcare.

Doing the Math

In 2005, a single-parent family of three began to pay state income tax when their earnings exceeded \$19,300 – while the FPL for that type of family was \$15,577. If we raised the PIT threshold to twice the FPL, this family wouldn't pay income tax until they're making a much more comfortable \$31,154.

Two-parent families fared even worse in 2005. The FPL for a two-parent family of four was \$19,961, but this type of family began to pay state income tax at \$22,800. Raising the PIT threshold to twice the FPL would give this family a break from taxes until they make \$39,922.

Families living on incomes that approach twice the FPL should not have to pay state income tax. The hardships they face at that level of poverty are taxing enough.

New Mexico needs to raise the personal income tax threshold.