

New Mexico



VOICES
for Children



Taking a closer look at tax and budget policies
affecting New Mexico's quality of life

New Mexico Fiscal Policy Project

Who Pays Taxes in New Mexico?

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How often do you pay taxes? Once a year in April? Twice a month, when you get paid? Try every day. Most New Mexicans pay at least one state and local tax every day. This is because New Mexico, like most states, levies a lot of different taxes - sales taxes, income taxes, property taxes, gas taxes - so many taxes, in fact, that virtually everything you buy has at least one state tax on it. Even things that don't seem to be taxed - like rent - *are* taxed and even though you may not get the bill, the taxes are often passed along to you anyway.

Still, when people think of taxes, they often think only of the personal income tax. Because the personal income tax is levied once a year at tax time, it seems like the biggest tax. But it's not. Sales tax (in New Mexico, we call it a gross receipts tax) makes up 34 percent of the state's total tax revenues. In comparison, personal income taxes account for only 20 percent.

We Regress

Most people agree that poor people shouldn't pay more tax than rich people. But often they do. When low-income people pay a larger proportion of their income in taxes than high-income people, the tax system is called "regressive." In most states, including New Mexico, sales taxes are regressive. After all, everybody, regardless of their income, needs to buy clothing, over-the-counter medications, and other necessities, but the tax rate on designer clothing is the same as the rate on run-of-the-mill clothing.

To make matters worse, recent cuts in the personal income tax on both the state and federal levels have made our income tax structure more regressive. The biggest breaks went to the highest wage earners while the people at the bottom of the scale often received no benefit and, in some cases, actually ended up paying more.

Taxing Poverty

So just how regressive is New Mexico's tax system? In a recent comparison of state tax burdens, New Mexico was found to have the tenth highest overall taxes on the poor.

In New Mexico, a family with an annual income of less than \$13,000 paid about 12 percent of their household income in state and local taxes, while a family with an income above \$610,000 paid only 6 percent.

What confuses many people, however, is the total amount of taxes paid. The first family paid about \$1,560 in taxes and the second family paid about \$38,430. While the first family paid a lower total amount, it represented a much bigger proportion of their income. Look at it this way - \$1,500 is a lot of money to a family scraping by on \$13,000 a year, while \$38,000 wouldn't make the difference between paying rent or putting food on the table for the family with an annual income of \$610,000.

**New Mexico needs to return to a more progressive
tax system so that everyone pays their fair share.**