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Other Guides
A Guide to New Mexico’s State Budget
An Advocate’s Guide to New Mexico’s Budget
A Guide to Legislative Advocacy in New Mexico
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Almost every dollar that the state of New Mexico spends – whether to pay teacher salaries, purchase asphalt to build roads, or fill up the gas tank in a state trooper’s vehicle – is raised through tax collection. Elected officials decide how to spend tax revenue through the annual budgeting process. These lawmakers also determine how tax money is collected – how much we all pay in taxes, what we’re taxed on, and when. Although we must collect tax revenue in order to accomplish our collective goals, taxes have long had a bad rap. What’s more, tax systems are inherently complex. Do not despair! This guide seeks to bring the basics of the state’s tax system into focus for you.

We’ll start this guide with a brief look at why our state tax system is important. We’ll follow up with a quick overview of the various sources of state revenue (there’s more than one), then delve into the principals of a good tax system and what constitutes “fairness” in taxation. While this guide describes the basics of New Mexico’s tax system, two companion publications – A Guide to the New Mexico State Budget and An Advocate’s Guide to the New Mexico State Budget – explain how those taxes are spent. They look at the basics of the state’s general fund budget, the budget formation process, and how citizens can promote their priorities within that process.

### ACRONYMS

- **CIT** – Corporate income tax
- **EITC** – Earned Income Tax Credit
- **FIR** – Fiscal impact report
- **FY** – Fiscal year (July 1– June 30)
- **GRT** – Gross receipts tax
- **LFC** – Legislative Finance Committee
- **PIT** – Personal income tax
- **TEB** – Tax expenditure budget
- **TRD** – Taxation and Revenue Department
- **WFTC** – Working Families Tax Credit

Words that appear in boldface are defined in the Technical Terms and Tax Facts boxes. Acronyms used in this guide are written out in the box below.
WHY TAXES MATTER

Our state tax revenue is what allows us to accomplish things that benefit us collectively. This includes helping provide the programs, services, and infrastructure – such as education, public health and safety, and roads and bridges – that make our economy possible and that we all depend upon. If we think about our state budget as the blueprint for the New Mexico we wish to create, we can think of our taxes as the way we make those plans a reality. We use tax revenue to meet our current needs – such as educating our children and maintaining our highways – and solve our problems – such as poverty, drug addiction, and crime. We also use our tax revenue to anticipate and prevent future problems that we know will affect the well-being of our state.

Just as our tax revenue allows us to prepare for the future, we also continue to rely on tax revenue that was spent in the past. For example, many of the roads, water lines, and schools that we use today are the result of investments we made with tax revenue in the past. In reverse, many of the investments we make today will still be benefitting New Mexicans in years to come. For example, the children we educated just a generation or two ago are the workforce of today just as the children we educate today will be the workforce of tomorrow.

In a more basic sense, our tax system is a statement of our values and priorities – how much revenue our state lawmakers think we should collect to provide for our common needs, and who pays how much of the cost. A tax code can spread the payments evenly among taxpayers or it can require some New Mexicans to pay more and allow others to pay less. When looking at New Mexico’s tax system it is clear that we prioritize corporations because we require them to pay very little in taxes even though the state provides the infrastructure they depend upon in order to do business. Conversely, our state and local tax systems combined require that those individuals who earn the most money pay a smaller share of their income in taxes than do those who earn the least money.

Tax cuts tend to be popular, but they have their down side. Every time the government cuts taxes for one group of people or businesses, it either has to raise taxes elsewhere or it has to cut spending. Spending cuts can lead to more crowded classrooms, fewer judges, and roads that go unrepairred.

These decisions about our tax system are made by our state Legislature and Governor. These people, as elected representatives, work for us. So it only makes sense that they hear from us about our priorities, our values, and what kind of New Mexico we want to create. For more information about how to advocate for the policies that are important to you, please see A Guide to Legislative Advocacy in New Mexico.

Technical Terms

Gross Receipts Taxes – Taxes collected on the gross receipts (total money taken in) of a business or service provider. It is usually passed along to the consumer.

Compensating Tax – A tax on goods that are bought out-of-state for use in New Mexico. Say, for example, you open a restaurant in New Mexico but purchase your chairs and tables in Texas. You must pay compensating tax on those purchases.

Excise Taxes – Taxes levied on specific goods, such as cigarettes, alcohol, and cars.

Income Taxes – Taxes paid on an individual’s personal income or a company’s profits.

Severance Taxes – Taxes paid on natural resources such as crude oil and natural gas, so named because these resources are ‘severed’ from the ground.
TAX FACTS

The Difference Between the GRT and a Sales Tax

The GRT differs from a more traditional sales tax in a number of ways. In general, a sales tax is a tax levied by the government on the sale of products to customers. The business selling the product is simply the go-between – collecting the tax from the customer and passing it along to the state (or city or county). The GRT is a tax on the business’s total receipts – or the money it takes in. While it is generally passed along to the customer, it doesn’t have to be – but it still has to be paid to the government. Gross receipts are not the same as profits, which is the money the business makes from the transaction minus the deduction of allowable expenses.
HOW TAXES ARE USED

The taxes we all pay help support our state because the money flows into our communities through the state budget. Taxes help our state by:

- paying wages and salaries for teachers, first responders, judges, and others;
- purchasing goods like computers, office supplies, squad cars, building materials, and more; and
- purchasing services like IT, health care, upkeep of state buildings, and more.

STATE REVENUE SOURCES (FY20)

Source: General Fund Consensus Revenue Estimates, December 2019
Some other revenue sources you may be familiar with that do not go into the state general fund are:

**Fuel Taxes**

Fuel taxes on gasoline, diesel, and other fuels are specifically designated for the Department of Transportation’s use and are deposited in the state road fund, which is used to finance highway construction and maintenance, as well as debt payments for highway capital improvement bonds.

**Fees**

Fees are collected for services such as licensing a car or to enter a state park (see page 6).

**Federal Funds**

Federal funds account for approximately one-third of the state’s total spending. While many agencies receive federal funding, the majority goes to the departments of Health, Human Services, Transportation, and Public Education. Federal funding also goes to higher education institutions.

**Property Taxes**

Property taxes do not support the operations of state government but are used for public infrastructure. County and city governments receive more than 46 percent of taxes imposed on property. The public schools receive about 30 percent, mostly for school construction, and the remainder goes to two-year colleges, health facilities, and special districts.
SPENDING THROUGH THE TAX CODE

The state spends money both directly and indirectly. Direct spending takes the form of annual budgeting for programs and services such as education, public safety, and health care. Direct state spending is covered in the companion publication *A Guide to the New Mexico State Budget*. The state also spends money indirectly by choosing to forego collecting certain tax revenues. While direct spending is done through the budgeting process, indirect spending is handled by changing the tax code.

Over the years, the Legislature has enacted many tax breaks, which are called **tax expenditures**. Many tax expenditures are enacted as a form of economic development because they provide a subsidy or incentive for specific businesses. Tax credits for solar panels is an example of this. Other expenditures are intended to help groups of people. The Working Families Tax Credit (WFTC), which helps low-income working families, is one example.

Cuts in taxes almost always result in the state collecting less revenue. Lower revenue means the state will either have to cut its direct spending or it will have to raise other taxes or fees to make up the difference. Before any legislation to enact a tax break is passed, however, the state tries to estimate how much it will cost. These estimates are contained in a fiscal impact report (FIR) prepared by the Legislative Finance Committee (LFC) staff.

Once a tax break is enacted, it is a good idea to track how much it is costing the state, and whether it is having the desired outcome. This regular accounting is called a **tax expenditure budget** (TEB), and it should include reporting requirements and sunset dates for all tax expenditures. Unfortunately, for many years the state did not track the cost and benefits of the many tax breaks that have been enacted.

New Mexico lawmakers have passed bills requiring a TEB in statute, but they were all vetoed. Instead, governors have ordered the state’s Taxation and Revenue Department (TRD) to issue a TEB. When the TEB is produced by executive order, the governor can instruct the TRD to leave out any pet tax breaks they don’t want scrutinized. While New Mexico’s TEB has improved over the years, it is still incomplete and does not offer enough evaluation of tax breaks.

Spending on the budget side is analyzed every year and lawmakers expect to be given information on how the money was spent and whether the spending produced the desired outcomes. But once an expenditure is written into the tax code it is almost never revisited and we rarely learn if it worked as intended.

TECHNICAL TERMS

**Tax Expenditure** – A way the state spends money indirectly by foregoing the collection of revenue through tax exemptions, deductions, and credits.

**Tax Expenditure Budget** – An accounting (usually annually) of the cumulative cost of all tax expenditures. Such a report may also determine whether the tax expenditure had the intended economic effect.

**Tax Exemptions** (as applied to the gross receipts tax) – Goods and services that are not taxed. For example, the state does not collect taxes on the food we buy to eat at home because it is exempt from the GRT.

**Tax Deductions** (as applied to the gross receipts tax) – Expenses that can be subtracted from a business’s tax return. For example, if a business rents construction equipment, the state does not collect taxes on that rental because the business has deducted the cost from their tax return.
A state tax system can either be regressive, proportional or progressive.

Sales and excise taxes tend to be regressive, meaning those with the lowest incomes pay the highest share of their income in these taxes. That is because the lower a person's income, the higher the share that must be spent on day-to-day necessities – such as gas, utilities, and non-food groceries – most of which are taxed. Families with lower incomes spend a greater proportion of their income on sales taxes than do upper-income households, which can save or invest some of their earnings because they do not need to spend it all to make ends meet.

A proportional system in one in which everyone pays the same percentage of their income in taxes. This may sound like the most equitable option, but it does not take into account one's ability to pay or minimize taxes on low-income households. For example, imagine a proportional tax system in which everyone paid 10 percent of their income in taxes. Consider a household living on just $20,000 a year – that's less than half the state's median income. A 10 percent tax rate means a loss of $2,000 – which is a lot of money for a family in that situation. At that income level, 10 percent equals a month's rent, utilities, and groceries. For the household earning $200,000, a 10 percent tax rate leaves them with $180,000 – a healthy, six-figure income that's four times the median household income in New Mexico. With an income of $200,000, a 10 percent tax rate isn't going to lead to skipping meals or medications in order to make the rent.

Income taxes are generally progressive, meaning those who earn the least pay the lowest rates, with rates increasing as income increases. The federal income tax was designed this way to help make up for the fact that state and local taxes tend to be regressive.

Most people agree that low-income households shouldn't pay a higher percentage of their income in taxes than the rich. However, the truth is that those with the lowest incomes do pay a much higher share of their income in taxes than the rich in New Mexico.

When we look at taxes as a share of income, the ideas of regressivity and progressivity become clearer. The "Backward State of Taxes" bar chart illustrates what percentage of their income non-elderly New Mexicans pay in taxes. The chart is organized by income levels, from the lowest 20 percent to the highest 1 percent, in order to show how the impact of taxes varies depending on one's income.

**TECHNICAL TERMS**

**Regressive Taxes** – Those with lower incomes pay a higher percentage of their income in tax than do those with higher incomes.

**Proportional Taxes** – Everyone pays the same percentage of their income in tax.

**Progressive Taxes** – Those with lower incomes pay a smaller percentage of their income in tax than do those with higher incomes.
The yellow bars show the total share of income paid in state and local taxes. The bars decrease as income increases – meaning the overall system is regressive. The colored bars within the light orange bars show how each individual tax contributes to the overall rate. As the blue bars indicate, sales and excise taxes are the most regressive – hitting the lowest 20 percent the hardest. The same is true for property taxes (the orange bars). People often assume that property taxes are only paid by homeowners, but the cost of property taxes – along with the costs of upkeep, insurance, and the interest paid on a mortgage – is passed along to renters. (In contrast, the tax deductions for some of these expenses that are paid by the renter go to the landowner, thereby decreasing their tax bill.)

The opposite trend can be observed for income taxes (the green bars) because these taxes are progressive. As the amount earned increases, the percentage paid to income taxes also increases. Several refundable income tax credits are available for many New Mexicans whose earnings put them in the lowest two income brackets. This is why the green bars for the lowest 40 percent dip below the 0 percent line. For families who owe income taxes, the credits reduce their overall tax bill. For families who do not owe taxes, or if the tax credit amount is greater than what they owe in taxes, the credits refund money they’ve already spent (for example, on child care).

Even with these refundable tax credits, income earners in the lowest 20 percent pay nearly 11 percent of their income in state and local taxes, while the top 1 percent pays just 6 percent – meaning the total tax rate paid by the poorest New Mexicans is nearly double the tax rate paid by the richest.

### The Backward State of Taxes

The majority of New Mexicans (those earning less than $49,500 – or 60 percent) pay more than 10 percent of their incomes in state and local taxes, while a tiny minority (making more than $376,500) pay just 6 percent.

Source: *Who Pays?*, The Institute on Taxation and Economic Policy, 2018

Note: Table shows permanent law in New Mexico enacted through Sept. 10, 2018 at 2015 income levels.
NOT ALL TAX CODES ARE CREATED EQUAL

The characteristics that should be built into a state’s tax code include:

- Accountability
- Adequacy
- Consistency
- Efficiency
- Equity
- Simplicity
- Stability
- Transparency

**Accountability** means that tax credits, exemptions, and deductions are easy to monitor and evaluate. Tax cuts are often enacted in the hopes that they will change behaviors – get companies to hire more employees, for example. If the state cannot determine if those goals are met, the tax system is not accountable.

**Adequacy** means that the tax system meets state spending needs, provides enough revenue to build strong communities, and provides robust opportunities for children and families to thrive. Additionally, adequacy means that state spending keeps pace with inflation and population growth.

**Consistency** is achieved when tax revenues grow at the same rate as state personal income. Gross receipts and income taxes are the most consistent because they closely follow population growth. This is important because population growth impacts the need for state services.

**Efficiency** means that the tax code has a broad enough base to avoid excess reliance on one tax. Most states rely on three tax sources: income, sales, and property taxes. New Mexico also collects severance taxes, so the state has four main sources of revenue, giving it a broader base.

**Equity** in a tax system means two things. Horizontal equity means that similarly situated taxpayers should be treated similarly. For example, families of the same sizes and with the same incomes should expect to pay the same amount in taxes. Vertical equity means that the amount a taxpayer pays in taxes should be determined by their ability to pay. For example, a tax rate that is lower for people with lower incomes is more vertically equitable. Personal income taxes normally incorporate this ability-to-pay principle – and are thus more progressive – because they are graduated according to income, adjust for family size, allow some deductions and credits for family expenses like child and health care, and can include refundable tax credits for low- and middle-income families. (See pages 10 and 11 for more information on the equity of various kinds of taxes.)

**Simplicity** is achieved when the effort that goes into collection is minimal and the tax code is easily understood. Every time the state enacts a tax exemption, deduction or credit, the system loses simplicity, making it more difficult to administer.

A tax system has **Stability** when it relies more on predictable revenue sources than on sources that wildly fluctuate. Personal income taxes are stable because they follow personal income growth. Severance taxes are less stable because they are based on the current prices of oil and natural gas, which are set at the global level.

**Transparency** is what makes accountability possible. A tax system is transparent when citizens have enough information about the tax code to hold government accountable.

NEW MEXICO’S TAX LOW-LIGHTS

In general, when viewed through the lens of these principles, New Mexico’s tax system needs improvement. Given the myriad of tax credits, exemptions and deductions to the state’s tax code, it would be hard to argue that it is accountable. The GRT, in particular, is often referred to as Swiss cheese, given the hundreds of exceptions that have been passed – and more are enacted every year.

These exceptions to the GRT, along with corporate and personal income tax cuts enacted within the past 15 years, have reduced important streams of revenue. Due to these giveaways, which mostly benefited the biggest corporations and wealthiest earners, the state was left without adequate funding for crucial programs and services when revenues plummeted during the recession. Over the past decade, many programs that support the health, education, and well-being of New Mexico’s children were cut or severely underfunded as a result. The recent boom in oil and gas production has changed that – at least for the time being. Placing too much reliance on these industries is problematic for other reasons (see stability).

New Mexico’s tax code can be called consistent because sales and personal income taxes are the make up the two largest shares of the state’s revenue pie. However, the state’s over-reliance on revenues from the oil and gas industry, which are volatile and susceptible to external economic shocks, keeps the tax system from being efficient.

As we have seen, the issue of equity is of major concern, with our high reliance on the gross receipts tax being the main problem because those on the lowest end of the income scale have to spend the largest share of their income on the day-to-day necessities that are taxed (except for groceries).
Our refundable tax credits help with equity, but cuts made to the personal income tax rates for those in the top income brackets nearly flattened the one area of the tax code that can be progressive. A more equitable system would require that a larger share of the tax responsibility be distributed to those with the greatest ability to pay. Besides making the tax system less equitable, every time a tax cut is enacted the tax code becomes less simple to understand and implement.

These tax breaks added to the state’s over-reliance on revenue from the oil and natural gas industries. When oil and gas prices fall, the state takes a big hit. This unpredictability makes the tax code less stable. To make the tax system more stable and efficient, New Mexico must diversify its revenue sources and become less dependent on the oil and gas industry. Stabilizing revenue streams would also help improve adequacy.

If our tax code was more transparent lawmakers and taxpayers alike would be able to hold it more accountable. The state has taken steps to improve transparency by issuing an annual tax expenditure budget. Unfortunately, it lacks much of the kind of analysis that would make it useful for determining where our tax code needs improvement.
HOW WE GOT HERE AND WHERE WE’RE HEADED

In contrast to how the state’s revenue is spent – which relies on a fairly regimented budgeting process that uses the current state budget as a starting point – forming the tax code seems ad hoc, with new policies enacted every year. Some of these policies will bring in more revenue and some of them will mean the state foregoes revenue. Even with the best analysis, it can take years to determine whether a tax change has had the desired effect.

Still, tax policies are enacted with intention, so we can hardly claim that we have no idea how we got to where we are. That our tax system is overly reliant on revenue from oil and gas and makes those earning the lowest income pay the highest rates can come as no surprise to anyone who’s been following tax policy over the last 40 years.

The Reagan Administration introduced the nation to the term “trickle-down economics,” which led to big tax cuts for those at the top of the income scale. The rest of us got promises about how those tax cuts would impact the economy – promises that turned out to be quite empty. While tax cuts for the so-called “job creators” can spur some job growth, they have not been proven to pay for themselves. Instead, the trickle-down economic experiment has led to a bigger national debt and the concentration of wealth into fewer and fewer hands. The rich got richer, while the rest of us saw our wages stagnate. States that followed suit – New Mexico among them – had similar results.

To add to this debacle, some large corporations have used this tax-cut frenzy to their advantage by pitting states against each other to get the biggest tax giveaway to expand their business to new locations. The massive sweetheart deals that corporations have been able to extract have resulted in a “race to the bottom,” with states trying to “out-cut” their neighbors. This has resulted in significant revenue losses for states and localities across the nation with nothing to show for it, and New Mexico is no exception. And while few companies would turn down a tax incentive, research shows that business owners weigh a very broad range of factors when considering new business locations. Chief among these are factors associated with the quality of living – such as the quality of the public education system and the local workforce, and proximity to highway, rail, and airline routes. Most of these quality-of-life enhancers are only feasible because they’re funded with public money – the very same tax revenue that these corporations demand they be excused from paying. Many states and municipalities that have offered generous tax deals to lure new business development have found that it was more expensive than it was worth – particularly if the new factory or headquarters ended up leaving.

When tax cuts result in spending cuts, both public- and private-sector jobs are lost. Cities and states not only cut back on employees, they also cut back on contracts with the private businesses, vendors, and non-profits that provide services. The jobs lost can range from teachers and technical advisors to health care providers. In short, a million dollars spent providing education or health care creates far more jobs than a million dollars sent back to shareholders or high-income consumers in the form of tax cuts. Leading economists say that cutting public-sector jobs in order to pay for private-sector tax breaks does more harm to the economy than good.

NEW MEXICO’S RACE TO THE BOTTOM

In the last two decades, New Mexico has cut personal and corporate taxes by billions of dollars in an attempt to lure companies to the state. Chief among these were personal income tax cuts enacted in 2003. This legislation cut the PIT rate for the top income earners by almost half – from 8.2 percent to 4.9 percent. New Mexicans earning the median income ($29,001–$45,000) received a small tax cut. Those earning the least – the bottom 40 percent of tax filers – received no benefit at all.

This has made state income taxes considerably less progressive. The tax rate climbs rapidly in the lower-income brackets ($0 to $30,000), then begins to level out at about $70,000, and is completely flat by the time it reaches $250,000. To be truly progressive, tax rates should climb more rapidly in the highest income levels, not at the lowest.

Also in 2003, those receiving capital gains income were given an additional big break. Capital gains is income realized when something of value – stocks, bonds, real estate, etc. – is sold at a profit. Because it does not come from wages or salaries, capital gains is called “unearned income” by economists. This legislation allowed those with capital gains to deduct half of
that income from their state taxes. Since the vast majority of capital gains income (88 percent) goes to those few filers at the top of the income scale (13 percent), the majority of the benefit of this deduction goes to those who don’t need a tax break. There is no evidence that the capital gains deduction promotes economic growth or fosters investment, meaning it is just a give-away for those at the top.

In 2013, without a fiscal impact report (FIR) and with very little debate, the Legislature passed an omnibus tax bill. Two of the most expensive provisions in the omnibus bill were changes to the state’s corporate income tax. The bill reduced the overall CIT rate and it also essentially eliminated CIT for the manufacturers operating in the state. Like the PIT cuts before it, the public was told that the 2013 bill would encourage job growth. There is no evidence that these tax cuts produced jobs.

In addition to PIT and CIT cuts, year after year many groups have requested – and received – exemptions from the GRT. These handouts continually carve away at our GRT base and are often unproven and unnecessary when it comes to attracting business. When well-connected companies and groups no longer have to pay the GRT, the rate has to be increased on everyone else to keep revenues stable. These increases fall especially hard on lower-income communities, as the GRT is one of the most regressive parts of our tax code. In Española, for example, the GRT rate is one of the highest in the state at 8.9 percent, up from 7.25 percent just 15 years ago. Narrowing the base also makes us more reliant on volatile GRT revenue from the oil and gas industry. When oil and gas goes boom and bust, so does GRT revenues, making it hard to reliably provide the programs and services that benefit all New Mexicans, like a quality public education system. The majority of legislators agree that the GRT rate is too high, and that these continual giveaways need to be seriously evaluated. If these tax breaks are not having their intended effect, they should be repealed so we can broaden the base and lower the rate for all New Mexicans.

All of these tax cuts made the state more reliant on volatile severance taxes. When oil and natural gas prices fell sharply in early 2016, the state was unable to bring in enough revenue to cover the programs and services that had already been budgeted – even though many of them were still being funded at lower levels than before the recession hit in 2008. The Legislature had to meet in a special session in October 2016 to make sharp spending cuts to both the FY16 and FY17 budgets. As revenue collections continued to lag, more cuts had to be made to the FY17 budget during the 2017 regular legislative session. While cutting spending isn’t terribly popular, many lawmakers find that they get less flack for that than for raising taxes. Once we’ve fallen off the trickle-down cliff, it’s difficult to climb back up.

MOVING IN THE RIGHT DIRECTION

In 2018, new methods for extracting oil and natural gas opened up the Permian Basin – part of which sits under New Mexico – to expanded development. This resulted in an unprecedented budget surplus for FY20. While the new revenue is welcomed, we know the boom will not last. Fortunately, in 2019 legislation was enacted that makes New Mexico’s tax code more fair for those who earn low incomes, and more stable for when the oil boom goes bust (see graphic below). Hopefully this signaled the start of a new direction for New Mexico’s tax system – one that recognizes the incredible value tax revenue plays in our lives and our economy and that spreads the responsibility more evenly.

ON THE ROAD TO A FAIRER, MORE STABLE TAX CODE

The changes made to the tax code in 2019 will benefit New Mexico families with children

- 70% of families with children received an income tax cut, returning $64 million to these families.
- 250,000 – or 29% of all taxpayers – received an income tax cut.
- Just 5% of New Mexicans received an income tax increase, paid overwhelmingly by the highest earners.

Note: These figures represent all of the personal income tax changes in HB 6, enacted in 2019. An analysis by the Taxation and Revenue Department on just the income tax increase shows it will impact only 3% of the highest earners in New Mexico.
CONCLUSION

This guide was designed to invite New Mexicans into a deeper understanding of our state tax system – its purpose, how it forms a foundation for our economy, and what could be done to improve it. How we collect taxes says a great deal about our values and priorities – like whether or not we want a tax system that allows the families who earn the least to pay less because they have the fewest resources or if we want a system that allows those who earn the most to pay less even though they have the most resources.

Unfortunately, New Mexico doesn’t score well on most of the principles of a good tax system. Our growing reliance on volatile severance taxes has made our tax system – and the state services that depend upon it – less adequate, efficient, and stable. Tax cuts enacted in 2003 and 2013 only exacerbated these problems. Accountability and transparency are also weak points, and our tax system lacks real equity. Because our tax system favors those with the most money, it can’t help but favor whites over New Mexicans of color. In a state where people of color make up the majority of the population, it only makes sense that we restructure our tax system to ensure we all have opportunities to succeed.

Like the nation and many other states, New Mexico fell prey to faulty trickle-down economic theory. Rebuilding our tax system so that it better meets our needs will take time, but we seem to be headed in the right direction.

Endnotes

2. “The Ultimate Burden Of The Tax Cuts: Once the Tax Cuts are Paid for, Low- and Middle-Income Households Likely To Be Net Losers, on Average,” William G. Gale, Peter R. Orszag, and Isaac Shapiro, Center on Budget and Policy Priorities, Washington, DC, 2004