

Tax & Budget 101: Working out with Billy Jude



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New Mexico Voices for Children

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Agenda

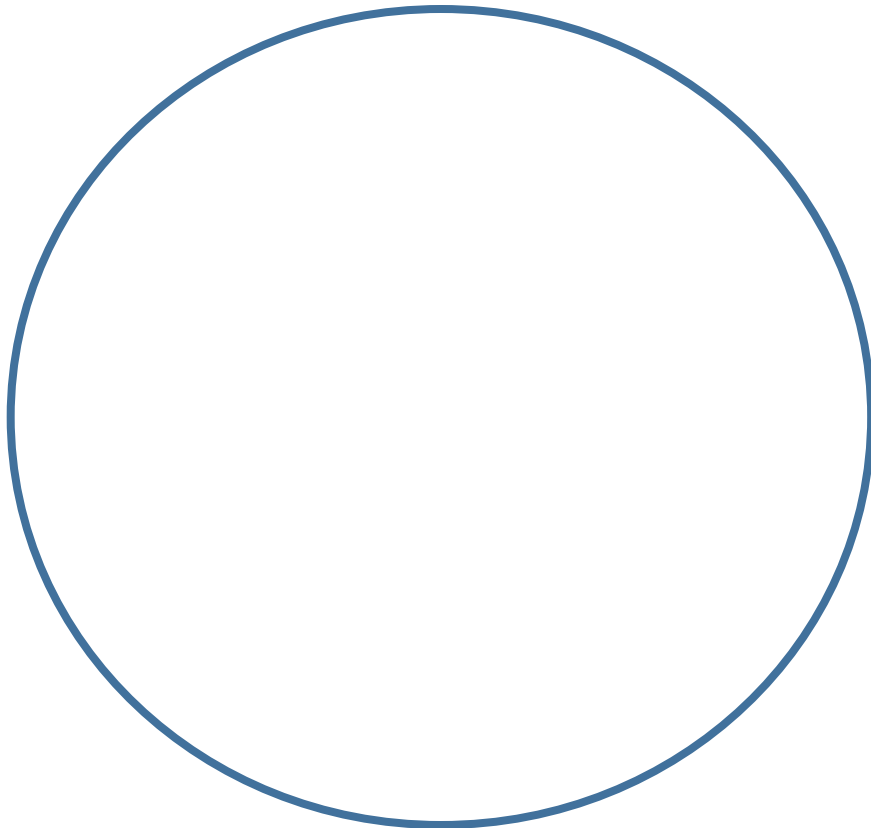
1. New Mexico's budget priorities
2. New Mexico's tax system
3. Recommendations for a prosperous New Mexico



“Don't tell me what you value, show me your budget, and I'll tell you what you value.”

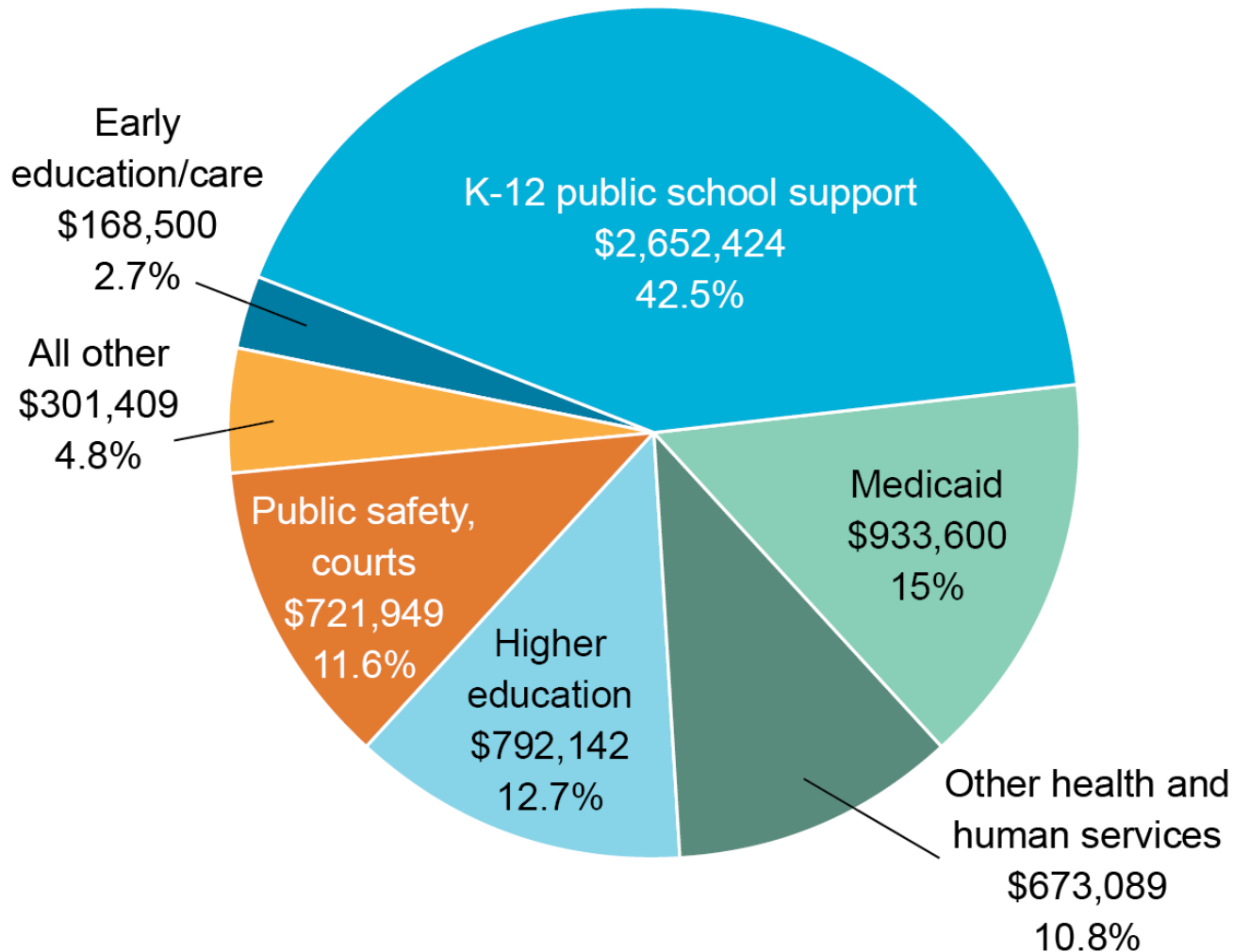
- Former Vice President Joe Biden

State General Fund Budget = \$6.3 billion



Medicaid	_____%
Other health and human services	_____%
K-12 education	_____%
Early education/care	_____%
Higher education	_____%
Public safety, courts	_____%
All other	_____%

NM's 2019 General Fund Budget



Where are we now?

Austerity has made life worse

- 49th in overall child well-being
- 50th in education
- 49th in job growth
- Dismantled behavioral health system
- Fewer young people able to afford college
- College grads with the highest rate of student loan defaults
- Roads and bridges in disrepair

How we got here:

Our priorities are out-of-whack

- 14% cut in per-pupil K-12 spending from 2008-2018
- 35% cut in per-pupil higher education spending, leading to steep tuition increases
- Cuts to special education funding, resulting in an even greater loss of federal dollars for special ed
- Enrollment in child care assistance has dropped more than 20% since 2010
- Cut U.I. benefits, including the increment for children of unemployed workers
- Underfunding of the Medicaid program by hundreds of millions in recent years
- Nearly a billion dollars drained from various targeted funds that will need to be restored
- Tax cuts made our tax system even more regressive AND we have hundreds of millions of dollars less AND the tax cuts failed to create jobs

Principles of good tax policy

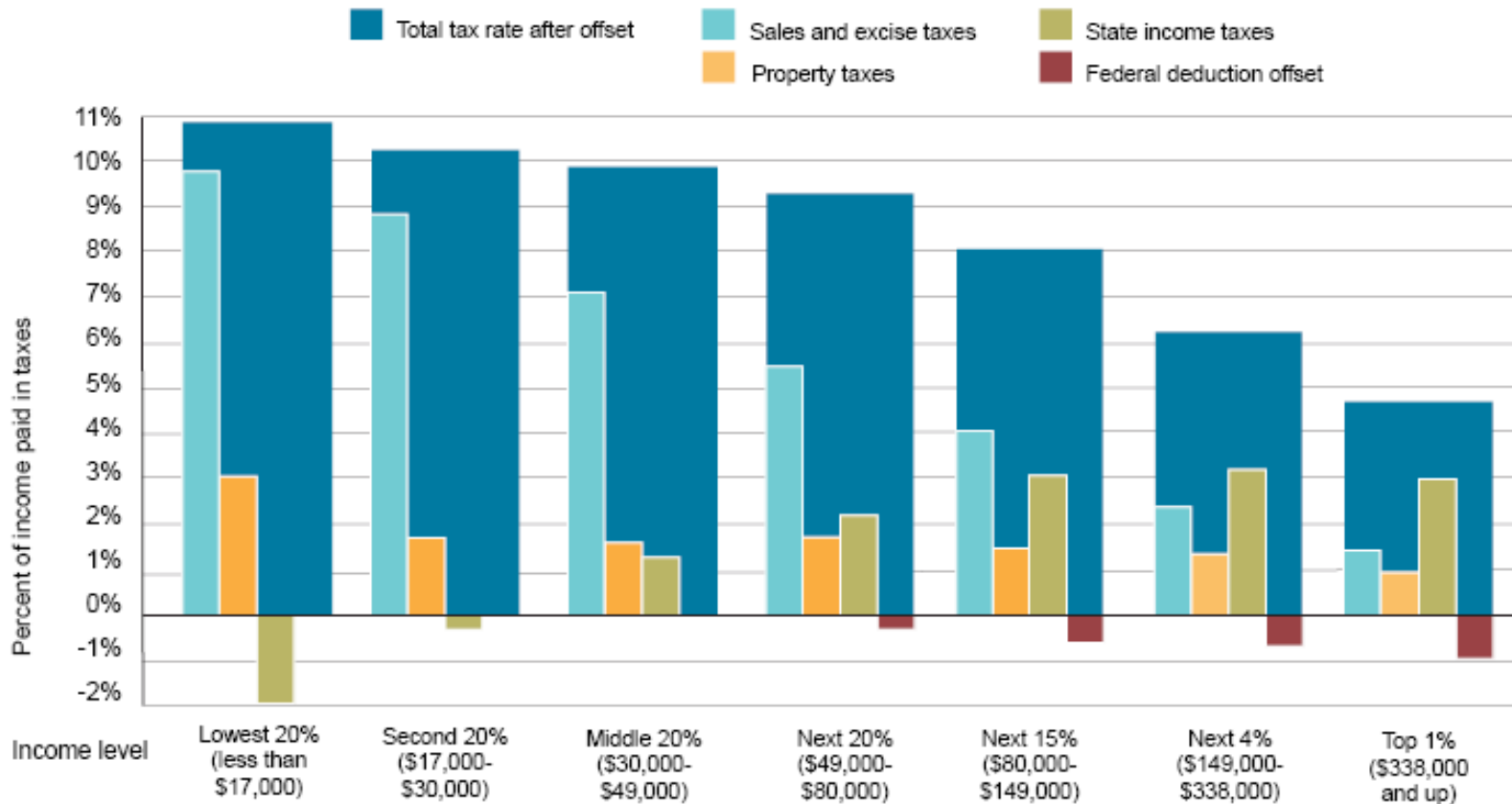
- 1. *Adequacy:* Revenue should be adequate to fund needed government services.**
- 2. *Efficiency:* Tax base should be as broad as possible and avoid excess reliance on one tax.**
- 3. *Equity:* Taxpayers should be treated fairly.**
- 4. *Simplicity:* Collection should be simple and easily understood.**
- 5. *Accountability:* Preferences should be easy to monitor and evaluate.**

How did we get here?

- **A failed strategy of massive tax cuts to the well-connected that failed to create jobs as promised.**
- **A failure to invest in what works.**
- **The result was deep cuts to education, health care, public safety, infrastructure.**

Our tax system asks the most of those who can afford it least

Those in NM with the Lowest Incomes Pay the Highest Rates in State and Local Taxes



Source: *Who Pays?*, Institute on Taxation and Economic Policy, 2015

Tax credits that help families succeed

Child poverty is a longstanding pervasive issue and we need a set of targeted initiatives to end child poverty

- **Low Income Comprehensive Tax Rebate (LICTR)**
- **Working Families Tax Credit (WFTC/EITC)**
- **Enact a *NEW* Child Tax Credit (CTC)**

LICTR

- **Designed to offset the regressivity of the gross receipts tax (GRT) by giving a rebate to those in deep poverty, but hasn't been updated in 20 years.**
- **Returns only \$20 million of the \$2 billion gross receipts tax to the poorest of the poor.**
- **Targeted to low-income taxpayers, especially the disabled and elderly.**

The federal Earned Income Tax Credit & NM's Working Families Tax Credit

- Federal EITC returns \$550 million to NM families.
- NM's Working Families Tax Credit (10% of the federal EITC) returns \$55 million to working families.
- 97% of the value goes to working families with kids.
- Without these two credits, 40,000 *more* NM families would be in poverty.
- Lawmakers should consider doubling the WFTC to at least 20% of the EITC.

“The best anti-poverty, the best pro-family, the best job creation measure to come out of Congress.”

- Ronald Reagan on the EITC

A new Child Tax Credit

NM has the highest rate of child poverty in the nation

- **Proposed NEW tax credit worth at least \$50-\$150 per child.**
- **Targeted to help families with children.**
- **Would help to reverse the “tax on kids” that resulted from the new federal tax law.**

Raise new revenue to invest in success

- **Make corporations pay their fair share and require out-of-state corporations to pay tax on their profits made in NM.**
- **Repeal the capital gains tax break.**
- **Repeal 2003 personal income tax cut for those at the top.**
- **Work with health care providers to enact the assessment fee they are requesting.**
- **Increase alcohol & tobacco taxes, including e-cigs.**
- **Repeal ineffective or wasteful tax breaks.**
- **Extend the gross receipts tax to all internet sales.**
- **Increase the distribution from the Land Grant Permanent Fund for K-12 and early education.**

*What do our kids and families
need to thrive?*

