

IT'S TIME TO REPEAL THE CAPITAL GAINS DEDUCTION

TAX CUTS FOR THE WEALTHY LIMIT NEW MEXICO'S ABILITY TO PLAN FOR ITS FUTURE



Capital gains is income realized when something of value – stocks, bonds, real estate, etc. – is sold at a profit.

THE PROBLEM

- New Mexico gives a big, unnecessary tax break to those with capital gains income. This tax break allows people to deduct 40 percent of their capital gains income from their state taxes, meaning this unearned income is taxed at a lower rate than the hard-earned wages of ordinary New Mexicans.
- Unfortunately, this deduction overwhelmingly goes to the highest-income earners – the people who are already paying the smallest share of their income in state and local taxes.
- This deduction costs the state between \$40 million and \$50 million every year – money that could go to schools, health care, and public safety instead.
- There is no evidence that capital gains deductions promote economic growth or foster investment. It is an ineffective tax give-away, and should be repealed.



WHY NOW?

- As a state that consistently has one of the highest rates of poverty, New Mexico should structure its tax code to help hard-working families, not to favor those who need the least help.
- New Mexico is too reliant on revenue from the oil and gas industry – this keeps us in a boom-or-bust cycle. It's impossible to plan for future needs when our revenue outlook is so uncertain.
- Repealing the capital gains tax deduction will allow for a fairer tax system while generating sustainable revenue for the state.
- This revenue can more effectively be invested in proven job creators such as a cradle-to-career education system that produces a highly qualified workforce.

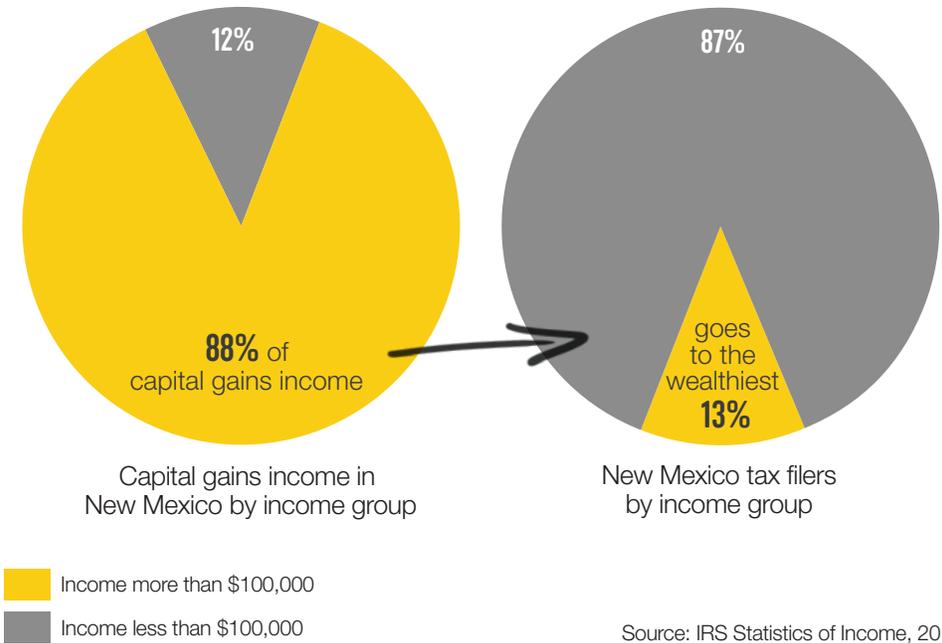


WHO GETS THIS TAX BREAK?

- 88% of the value of the capital gains deduction goes to just 13% of New Mexicans – those who earn more than \$100,000.
 - Even more alarming, almost half (47%) of the value goes to the tiny number of New Mexicans (0.1%) who make more than \$1 million.
- In comparison, only 12% of the value of the deduction goes to the 87% of New Mexicans at the lower end of the income scale – those who earn less than \$100,000.

INCOME INEQUALITY

Most capital gains income goes to New Mexicans earning \$100,000+



THE BOTTOM LINE

The hard-earned wages of everyday working New Mexicans should be not taxed at a higher rate than the profits that the state's wealthiest few make from selling stocks and bonds.



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