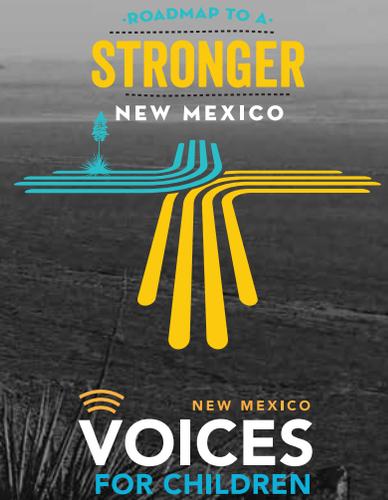


# EXPANDING NEW MEXICO'S BEST ANTI-POVERTY PROGRAM

ENDING EXCLUSIONS WOULD PROVIDE THE  
BENEFITS OF THIS CREDIT TO MORE  
HARDWORKING NEW MEXICANS



## THE WORKING FAMILIES TAX CREDIT

The Working Families Tax Credit (WFTC) is New Mexico's equivalent of the federal Earned Income Tax Credit (EITC). The WFTC's eligibility levels and credit amounts are based directly on the EITC, and like most states, the amount is a set percentage of the federal EITC. These tax credits reduce poverty, improve outcomes for children, and incentivize employment for workers earning low incomes. A growing body of research shows that tax credits like the EITC and WFTC improve the health and well-being of the families and children who receive them.<sup>1</sup>

However, thousands of hard-working immigrant families in New Mexico are excluded from both the federal EITC and the state WFTC due to federal eligibility rules. This is even though immigrants contribute to the local economy, file and pay their taxes, and have children – most of whom are U.S. citizens – who deserve the same opportunities to thrive as other children in their communities. Fortunately, New Mexico can make the WFTC more equitable by setting its own eligibility requirements and extending the WFTC to working immigrant families.

New Mexico should make its Working Families Tax Credit immigrant-inclusive by extending it to:

1. Workers who file their tax returns with Individual Tax Identification Numbers (ITINs) instead of social security numbers (SSNs) and;
2. Workers with a valid SSN but who have lost immigration status (DACA recipient who's DACA expired, for example).



## INDIVIDUAL TAX IDENTIFICATION NUMBER

An Individual Tax Identification Number (ITIN) is issued by the Internal Revenue Service (IRS) to ensure people, including undocumented immigrants, can pay income taxes even if they do not have a social security number. The IRS collects billions in tax revenue annually from ITIN filers.



# NEW MEXICO SHOULD EXTEND THE WORKING FAMILIES TAX CREDIT TO WORKING IMMIGRANT FAMILIES BECAUSE:

## 1. IMMIGRANTS CONTRIBUTE TO NEW MEXICO'S ECONOMY

Immigrants are workers, entrepreneurs, and job creators, who contribute to our state economy. Without immigrants our local economies — rural economies in particular — would be less productive and dynamic.

- Immigrants comprise a significant portion of New Mexico's workforce— 12 percent.
- An estimated 11,800 foreign-born entrepreneurs live in New Mexico.<sup>2</sup>
- Nearly 14 percent of all entrepreneurs in the state are immigrants.<sup>3</sup>
- New Mexico's immigrant-owned businesses generate between \$11.4 million and \$19.3 million in business income annually, and employ approximately 24,000 people.<sup>3</sup>

## 2. IMMIGRANTS PAY TAXES

Immigrants also pay their fair share in state and local taxes. Immigrants pay:

- Sales and excise taxes when they purchase goods and services;
- Property taxes on their homes or apartments; and
- State and federal income taxes.
- Immigrants are eligible for other tax programs and rebates that the state administers such as the Low Income Comprehensive Tax Rebate (LICTR).
- Undocumented immigrants in New Mexico pay nearly \$68 million in state and local taxes.<sup>4</sup>

## 3. NEW MEXICO'S CHILDREN WILL BENEFIT

New Mexico is home to thousands of mixed-status households — families where at least one of the parents is undocumented, but the children are U.S. citizens. As citizens, children of immigrant parents should be extended the same opportunities as other New Mexican children. Children in families that receive the WFTC and other credits like it have better life outcomes such as improved test scores and higher rates of college attendance.

- In New Mexico, approximately 28,000 children have parents who are undocumented immigrants.<sup>5</sup>

## COST ESTIMATES

It would cost **\$5-\$9 million** to end WFTC exclusions for ITIN filers, and **\$3 million** to end exclusions for young adult workers.

# EXPANDING THE CREDIT TO YOUNG, CHILDLESS ADULT WORKERS

The federal EITC also excludes childless workers under the age of 25 with the assumption that these individuals are still dependent on their parents for financial support. This assumption overstates the financial well-being of young adult workers and denies benefits to many low-income workers who cannot rely on parental support. New Mexico can also end this exclusion at the state level by extending the WFTC to childless workers, ages 18 to 24, with low incomes. This would boost the incomes of an additional 49,000 New Mexicans earning low wages.<sup>6</sup>

Ending this exclusion would provide benefits beyond raising incomes and offsetting regressive taxes. Many young adults are working while in college and use tax credits to subsidize the costs associated with higher education — like books or housing — that may otherwise be a barrier to obtaining a degree.<sup>7</sup> The EITC and WFTC also encourage individuals to stay in the labor force and improve their earnings, leading to long-term benefits.

## WFTC BY NUMBERS



**60%** of claimants receive the credit for just one or two years



**54%** of claimants have at least some college education — they simply aren't earning family-sustaining wages



**68%** of claimants are people of color



# BENEFITS OF THE WFTC

- Proven to incentivize work and allow families to purchase necessities
- Businesses benefit too as the refunds are spent quickly and locally
- It's a common sense, bi-partisan solution to improve health and well-being for New Mexico families



## CREDITS LIKE THE EITC AND THE WFTC ARE LINKED TO IMPROVEMENTS IN:

### ↑ PARENTS' HEALTH

- Better mental health among mothers
- Better overall health and decreased physical and mental stress among mothers with a high school diploma or less
- Better physical health among men and women (ages 21 to 50) due to increased fruit consumption, decreased meat consumption, improved cholesterol, fewer colds, and more

### ↑ MATERNAL AND INFANT HEALTH

- Better pre- and post-pregnancy health
- Fewer babies born at an unhealthy low weight

### ↑ CHILDREN'S HEALTH

- Increased insurance coverage rates among children (ages 6 to 14)
- Better child health status as reported by mothers
- Children have access to more regular meals

### ↑ SCHOOL PERFORMANCE

- Improved test scores, particularly in math
- Boosted high school graduation rates
- Improved academic achievement that's equivalent to getting two extra months of schooling

### ↑ COLLEGE ATTENDANCE

- Boosted college enrollment rates
- Increased college graduation rates as well as total years of education completed

### ↑ EARNINGS IN WORKFORCE

- Higher long-term growth in earnings for single mothers (a mean increase of 17 percent in average annual earnings)
- Increased hours worked and wages earned in women with children

### ↑ RETIREMENT BENEFITS

- Increased retirement benefits earned through social security

1 *New Mexico's Working Families Tax Credit and the Federal Earned Income Tax Credit*, NM Voices for Children, 2019

2 U.S. Census Bureau, 2012–2018 American Community Survey

3 *The Contributions of New Americans in New Mexico*, New American Economy, 2016

4 *Undocumented Immigrants' State & Local Tax Contributions*, Institute on Taxation and Economic Policy, 2017

5 *A Profile of U.S. Children with Unauthorized Immigrant Parents*, Migration Policy Institute, 2016

6 The estimated impact of lowering the WFTC to age 18 for childless workers is provided by the Institute on Taxation and Economic Policy, October 2019.

7 Turner and Manoli. 2018. Cash on Hand and College Enrollment: Evidence from Population Tax Data and the Earned Income Tax Credit. <https://pubs.aeaweb.org/doi/pdfplus/10.1257/pol.20160298>