EXEMPTING SOCIAL SECURITY INCOME FROM TAXATION:
NOT TARGETED, NOT NECESSARY, NOT CHEAP

The proposals to exempt Social Security income from state income tax would not benefit those New Mexicans who need relief the most, are extremely costly, and are solutions in search of a problem.

NOT TARGETED
Half of all seniors – those with low incomes* – already pay no income taxes on their Social Security benefits. And the rest pay taxes on only a portion.¹

A COMPLETE STATE EXEMPTION WOULD ALMOST ENTIRELY BENEFIT HIGHER-INCOME SENIORS

● 87% of the value would go to those making more than $50,000.
  ○ That’s higher than the state’s median household income.
● 66% of the value would go to those making more than $75,000.²
  ○ That’s the top 20% of taxpayers.

SENIORS ALREADY GOT A BIG TAX BREAK DURING THE 2021 LEGISLATIVE SESSION:

● In 2021, lawmakers expanded eligibility for the Low-Income Comprehensive Tax Rebate (LICTR) and tripled the amount of the rebate. Those changes benefit 56,000 current and newly eligible seniors throughout our state.
● LICTR will also be indexed to inflation moving forward – meaning it won’t lose its value over time like it had since it was last updated more than 20 years ago.
● LICTR is a much more effective way to help low-income seniors, because it already gives special preference to seniors by allowing them to claim two extra exemptions, which means they get a much bigger rebate.

NOT NECESSARY
WE HAVE TAX BREAKS TARGETED TO LOW-INCOME SENIORS

● A state tax exemption specifically for seniors with retirement income is worth up to $8,000.
● Low-income seniors can take another exemption worth $2,500.

*Individuals earning up to $25,000 or couples earning up to $32,000.
NEW MEXICO TAXES ONLY ABOUT ONE-THIRD OF ALL SOCIAL SECURITY INCOME

- No taxes are paid on any Social Security income by low-income seniors.
- Income taxes are only paid on 50% of Social Security income for many seniors (individuals earning $25,000-$34,000 or couples earning $32,000-$44,000).*
- Income taxes are paid on 85% of Social Security income only by higher-income seniors.
- The remaining 15% is exempt from federal and state taxation because that is the only portion beneficiaries have already paid taxes on.
- Supplemental Security Income (SSI) is already never taxable.

*That only a portion of Social Security income is taxed is an important point. For filers in this income category, this provision means that a married couple with income only from Social Security pays no tax unless those benefits exceed $64,000. A couple with $10,000 in other income pays no tax on Social Security unless their benefits exceed $44,000. For a single filer, the stated threshold for taxation of Social Security is $25,000, but since only one-half of the Social Security income is counted, a taxpayer with only Social Security income pays no tax unless the benefits exceed $50,000.

MEANWHILE, YOUNGER NEW MEXICANS ARE LEAVING FOR BETTER JOB OPPORTUNITIES

- We’d be better off investing that money in the kinds of services that will grow the well-paying jobs that will allow our younger residents to stay.

NEW MEXICO’S SENIORS ARE BETTER OFF FINANCIALLY THAN MUCH OF THE POPULATION

- While 14% of seniors live in poverty:
  - 18% of the total population lives in poverty
  - 25% of all children live in poverty
  - 29% of young children live in poverty

WE ARE NOT ALONE

- Like most states, New Mexico’s income tax law follows federal income tax law except, in this case, we exempt a much larger share of Social Security income from taxes.
- 12 other states tax Social Security income: Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Rhode Island, Vermont, Utah, and West Virginia.