

NEW MEXICO IS PUTTING FAMILIES FIRST IN TAX POLICY



Our state's policy makers made a number of improvements to the tax code since 2019 that will help low- and middle-income New Mexicans, improve equity, and increase economic opportunity for our working families.

Changes to the tax code improve equity for families earning low wages

Recent policy changes will return \$2 billion to New Mexico families

Legislative Tax Changes	Additional annual benefit to families (in millions)	Total 5-year additional benefit (in millions) (FY20-FY25)
Increased the WFTC from 10% to 17% of federal EITC (HB 6, 2019)	\$41	\$238
Increased the WFTC to 25%, included filers with ITIN & under 25 (HB 291, 2021)	\$49	\$146
Created a dependent deduction (HB 6, 2019)	\$28	\$165
Expanded Low-Income Comprehensive Tax Rebate (HB 291, 2021)	\$51	\$202
Created a Child Tax Credit (HB 163, 2022)	\$74	\$149
One-time Income Tax Rebate (SB 1, 2021)	\$109*	\$109
One-time Income Tax Rebate (HB 163, 2022)	\$312*	\$312
One-time Income Tax Rebate (HB 2, 2022 Special Session)	\$678*	\$678
Total	\$1,342	\$1,999

*Non-recurring

Note: While the income tax rebates are one-time, the other legislative tax changes are recurring and the effective tax year ranges during this five-year time period. For policies already in statute - like the WFTC and LICTR - the annual benefit shown here is the additional benefit as a result of the legislative change. See specific policy for more information on total benefit and the effective tax year.

Source: New Mexico Legislative Finance Committee (LFC), 2022

WORKING FAMILIES TAX CREDIT (WFTC)

The WFTC is a tax credit proven to improve outcomes for working families with children.

Highlights

- Increased twice; by **70%** in 2019 and a further **47%** in 2021¹
- Expanded to include **41,000** young workers without children and **10,000+** immigrant workers
- Will return an additional **\$90 million** annually to **250,000** hard-working New Mexicans, for a total benefit of nearly **\$130 million** once these improvements are completely phased in



¹ The credit amount of the state WFTC is a percentage of the federal Earned Income Tax Credit (EITC). The WFTC was increased in the 2019 session from 10% to 17% of the federal EITC, and from 17% to 25% in the 2021 session. The increase passed in the 2021 session is phased in: the WFTC increased to 20% for tax years 2021 and 2022, and will increase to 25% in tax year 2023 and beyond.

LOW-INCOME COMPREHENSIVE TAX REBATE (LICTR)

LICTR benefits those facing the biggest financial challenges in the state.

Highlights

- Increased both the amount and income eligibility, nearly **tripling its value** for families
- Indexed to inflation so it will hold its value over time
- Returns an additional **\$50 million** annually to those who need it the most, for a total benefit of **\$70 million to 380,000** residents²



CREATED A CHILD TAX CREDIT (CTC)

The CTC will help reduce childhood poverty and reach every single child in New Mexico.

Highlights

- The newly-enacted, refundable credit ranges from **\$25-\$175/child**
- It is progressive, so families with lower-incomes will receive larger credits
- Will return **\$75 million** annually to families in New Mexico, benefiting **475,000** children³



ECONOMIC RELIEF FOR FAMILIES

Tax rebates helped provide economic relief for many families impacted by the pandemic.

Highlights

- Targeted tax rebates will return over **\$400 million** to low- and middle-income families in 2021 and 2022
- An additional **\$680 million** will be returned to all New Mexicans to help with the costs of inflation and rising gas prices

ADDITIONAL TAX BENEFITS FOR FAMILIES WITH CHILDREN

In response to federal tax changes, New Mexico allows for a tax deduction for children.

Highlights

- Federal tax changes in 2017 resulted in many New Mexicans with children having to pay more in state taxes
- To offset this, in 2019 the state created a new **\$4,000** deduction for each dependent beyond the first, returning **\$30 million** annually to New Mexico families

² LICTR increased in tax year 2021, and will be indexed to inflation moving forward

³ The CTC may be claimed starting tax year 2023 and sunsets after tax year 2031