

# 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
<b>Total</b>	<b>\$1,342</b>	<b>\$1,999</b>

\*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 2021<sup>1</sup>
- 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



<sup>1</sup> 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** residents<sup>2</sup>



## 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** children<sup>3</sup>



## 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

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

<sup>3</sup> The CTC may be claimed starting tax year 2023 and sunsets after tax year 2031