

# NEW MEXICO IS PUTTING FAMILIES FIRST IN TAX POLICY



Our state's policymakers have made several significant improvements to the tax code since 2019 that are helping New Mexicans who earn low and moderate incomes, improving equity, and increasing economic opportunity for our working families.

## HELPING HARD-WORKING NEW MEXICANS THROUGH THE TAX CODE

### WORKING FAMILIES TAX CREDIT (WFTC)

The WFTC is a tax credit known to improve outcomes for working families with children. Over the last several years lawmakers have:

- Increased it twice; by **70%** in 2019 and another **47%** in 2021<sup>1</sup>
- Expanded it to include **41,000 young workers without children** and **10,000+ immigrant workers**
- Ensured it 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

### LOW-INCOME COMPREHENSIVE TAX REBATE (LICTR)

LICTR benefits those facing the biggest financial challenges in the state, including our seniors. Recently, lawmakers have:

- **Increased** both the amount and income eligibility, nearly tripling its value for families
- Indexed the rebate amount to inflation so it will hold its value over time
- Ensured it will return 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>



### CHILD TAX CREDIT (CTC)

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

- The newly enacted, recently increased, refundable credit ranges from **\$25-\$600 per child**
- It is progressive, so families with lower incomes will receive larger credits
- It will return **\$175 million annually** to families in New Mexico, benefiting 475,000 children<sup>3</sup>

### ECONOMIC RELIEF FOR FAMILIES

Tax rebates help provide economic relief for many families impacted by the pandemic:

- Targeted tax rebates returned more than **\$400 million** to families earning low and middle incomes in 2021 and 2022
- An additional **\$1.35 billion** was returned to all New Mexicans to help with the costs of inflation and rising gas prices in 2022 and 2023



## ADDITIONAL TAX BENEFITS FOR FAMILIES WITH CHILDREN

In response to federal tax changes, New Mexico enacted a tax deduction for children:

- 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



## Changes to the tax code improve equity, economic well-being for families earning low wages

Recent policy changes will return nearly \$3 billion to New Mexico families

Legislative Tax Changes (by Year)	Additional Annual Benefit to Families (in Millions)	Additional 5-Year Benefit FY20-FY25 (in Millions)
<b>2019</b>		
Working Families Tax Credit increased (HB 6)	\$41	\$238
Dependent deduction created (HB 6)	\$28	\$165
<b>2021</b>		
Low-income Comprehensive Tax Rebate increased and expanded (HB 291)	\$51	\$202
Working Families Tax Credit increased and expanded (HB 291)	\$49	\$146
Income tax rebate enacted* (SB 1)	\$109	
<b>2022</b>		
Child Tax Credit created (HB 163)	\$74	\$149
Income tax rebate enacted* (HB 163)	\$312	
Second income tax rebate enacted* (HB 2; 2022 special session)	\$678	
<b>2023</b>		
Child Tax Credit increased (HB 547)	\$105	\$209
Income tax rebate enacted* (HB 547)	\$667	
<b>Totals</b>	<b>\$2,114</b>	<b>\$2,875</b>

\*Non-recurring rebate

Note: For policies already in statute – like the WFTC and LICTR – the annual benefit shown here is the benefit in addition to what the tax credit or rebate was already returning.

Source: New Mexico Legislative Finance Committee, 2022 and 2023  
NEW MEXICO VOICES FOR CHILDREN



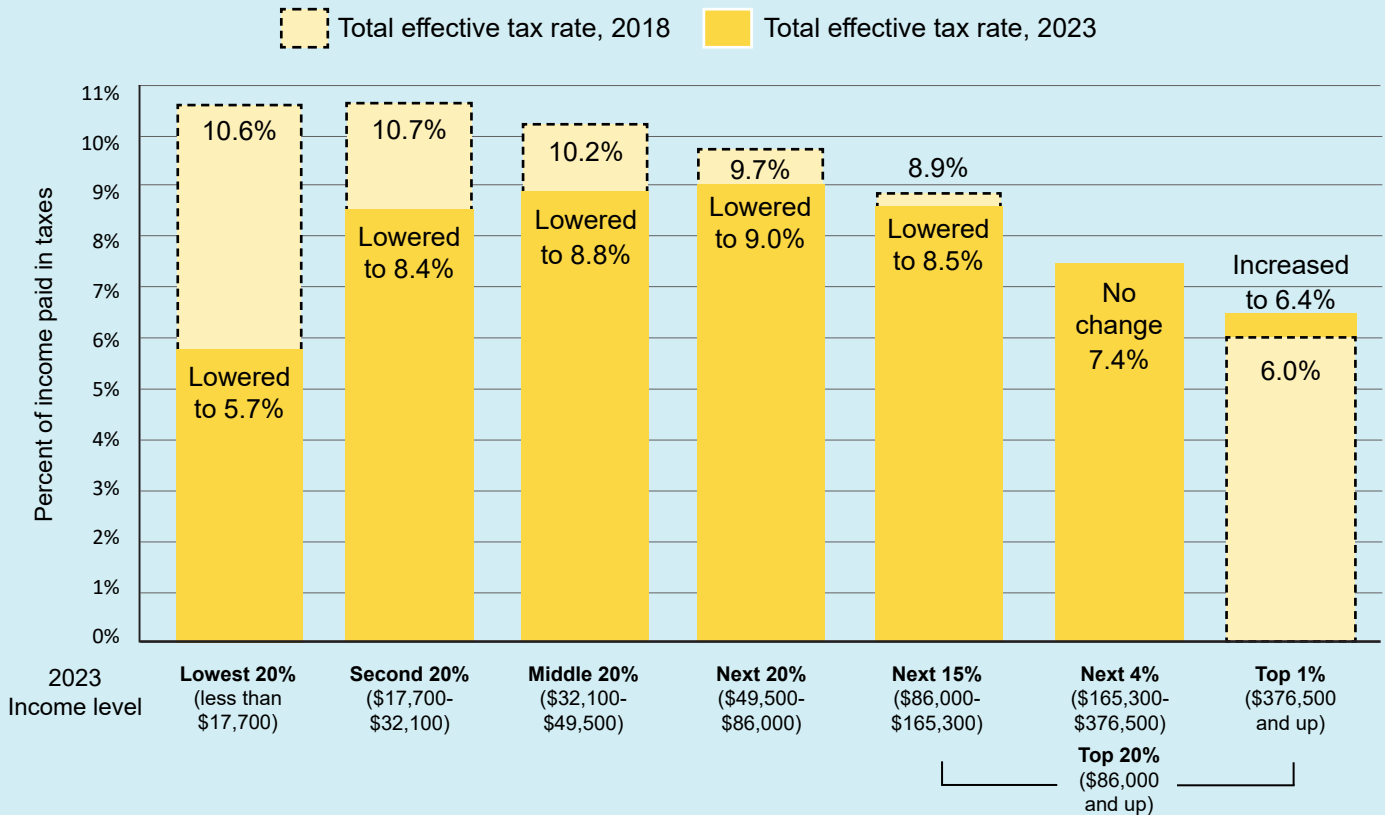
# THESE CHANGES HAVE IMPROVED THE FAIRNESS OF OUR OVERALL TAX CODE

**THEN:** As the chart below shows, our tax system had been upside-down for years, with the New Mexicans who earned the least paying the largest share of their incomes in state and local taxes. The light yellow bars with dotted outlines show that in 2018 residents earning the lowest incomes paid more than 10% of their income in state and local taxes, while those at the very top paid just 6%.

**NOW:** While more still needs to be done to ensure the wealthiest are paying their fair share, the chart shows how changes made since 2019 have made the overall tax system much more fair for those earning the lowest incomes. The gold bars reflect the share of their income New Mexicans will be paying as a result of the combined changes since 2019. Those in the lowest bracket will pay 5.7% of their income in state and local taxes, compared to the 6.4% the top 1% of income-earners are paying. This is a big improvement from just a few years ago.

## New Mexico's state & local tax system: then and now

Share of family income paid in state and local taxes by income group (2018, 2023)



Source: *Who Pays?*, Institute on Taxation and Economic Policy, 2018 and May 2023

Note: Table shows permanent law passed in New Mexico through April 2023

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### Endnotes

- 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.
- LICTR increased in tax year 2021, and will be indexed to inflation moving forward
- The CTC may be claimed starting tax year 2023 and sunsets after tax year 2031



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