

Majority of Benefits of Trump Tax Plan Would Go to NM's Highest-Income Earners

Written by By Sharon Kaye Communications Director, NM Voices for Children
Friday, 06 October 2017 09:35



ALBUQUERQUE —The tax plan just released by the Trump Administration would largely benefit those who earn the most money, with 80 percent of the tax cut going to the top 20 percent of Americans, and about two-thirds going to the richest 1 percent. In New Mexico, 72 percent of the tax cuts would go to the top 20 percent of the state's taxpayers. These are taxpayers earning \$98,400 and up. In addition, the proposed tax cuts would impact how much tax revenue New Mexico collects, further reducing the amount of money the state has to invest in education, health care, and public safety. These are among the findings in a report released today by the Washington, D.C.-based Institute on Taxation and Economic Policy (ITEP). The report includes a set of estimates of the net cost of the tax plan as well as how each income group would be impacted by it.

"It should come as no surprise that this tax plan delivers the most benefit to those who are the most well-connected," said James Jimenez, executive director of New Mexico Voices for Children, which analyzed the report. "Unfortunately, it also makes the federal tax system much less fair, and the result will be that the responsibility for funding our infrastructure and essential programs will fall most heavily on those who can least afford it—our hard-working families."

Among the tax changes that would benefit those with the highest incomes, are:

Repealing the alternate minimum tax (AMT) paid by high-income tax filers;

Reducing the top income tax bracket from 39.6 percent to 35 percent;

Repealing the federal estate tax, which is paid by a very small number of filers;

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Reducing the corporate tax rate from 35 percent to 20 percent and providing other corporate tax cuts; and

Reducing the tax on so-called pass-through business income. Pass-through income is often described as going to small business, but that is inaccurate.

The plan also calls for doubling the standard deduction. This is the only proposal that might help low-income taxpayers but it's also the provision that could most hurt states like New Mexico.

"Doubling the standard deduction will significantly reduce New Mexico's taxable income, which would mean the state collects less tax revenue," said Gerry Bradly, Senior Researcher and Policy Analyst at NM Voices. "The tax plan also eliminates the personal exemption, but that is not likely to bring in enough money to offset the revenue loss from doubling the standard deduction."

The total cost of the tax cuts is estimated at \$550 billion nationally. The plan's tax increases are estimated to take in \$316.1 billion. In total, then, the tax plan would add \$233.8 billion to the nation's deficit in 2018.

ITEP's report is available online at <https://itep.org/trumpgopplan/>

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