

It's time to restore a fair and progressive personal income tax to New Mexico

Written by By Paige Knight NM Voices for Children
Friday, 22 February 2019 10:30



Stop reliance on the oil and gas industry boom-or-bust cycle

During this legislative session, we can choose to continue tax cuts that benefit the wealthy and well-connected, or we can choose a new path and prioritize our children and families.

It's time to reverse course on excessive tax breaks and invest in healthy and thriving communities instead: investments in our schools to set our children on a path to success, investments in health care to keep people healthy and working, and investments in infrastructure - roads, bridges, and modern technology - that will benefit our families and businesses.

But in order to support these foundations for a thriving community, New Mexico needs dependable revenues that are equitable, sustainable, and adequate. Our current revenue stream fails to meet these principles because our tax system: asks the most from those with the lowest incomes, is over-reliant on the volatile oil and gas industries, and fails to raise enough revenue to meet the educational needs of our children of color.

Now is the time to enact bold tax reform and improve our tax system, so we can begin to generate key, sustainable resources that are not ruled by the boom-or-bust cycle of the oil and gas industries. This reform should begin by restoring fairness to the personal income tax, a stable source of revenue that is underutilized in New Mexico due to tax cuts enacted in 2003.

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Under the current personal income tax rate structure, families earning \$25 thousand per year are paying the same tax rate as families earning \$250 thousand per year, despite having a very different ability to pay. We can re-establish fairness in the personal income tax by increasing the top tax rate on a relatively small number of individuals - those that are in the best position to afford it. This restructuring would strengthen our revenues and allow for a broader, more equitable tax system.

This issue of fairness is apparent when looking at the combination of state and local taxes we all pay. Largely because of our sales taxes, New Mexico's tax system falls hardest on low- and middle-income families who pay a greater share of their incomes in state and local taxes than do those in high-income households.

New Mexicans earning the lowest incomes pay nearly 11 percent of their income in taxes while the wealthiest pay only 6 percent of their income in state and local taxes. That's according to the Institute on Taxation and Economic Policy's, *Who Pays?* report. This tax system actually exacerbates income inequality in our state. A more progressive personal income tax rate structure would help address this issue because the personal income tax is the only tax that can be based on the ability to pay.

There are several other ways we can use tax reform to create a more equitable society for all New Mexicans. First, we [can repeal the capital gains deduction](#) that overwhelmingly benefits the wealthiest. It's an ineffective give-away that does nothing for our economy.

Second, when it comes to addressing the regressivity of our state and local taxes, the [Low-Income Comprehensive Tax Rebate](#) (LICTR) can go a long way. Unfortunately, it hasn't been updated in twenty years to account for inflation, and has therefore lost a lot of its value. It is due for an expansion.

And finally, enacting a new [child tax credit](#) and doubling the current [Working Families Tax Credit](#) would help mitigate the higher state taxes hard-working families are paying due to federal tax changes. These credits would return more than \$100 million to these families, improve economic equity for families of color and women, and benefit 500 thousand New Mexico kids.

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The resources that these proposals create can help build a stronger New Mexico and secure a brighter future for our state. I hope our legislators make the right choice in January and choose to put our children and hard-working families ahead of the wealthy and well-connected.

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By Paige Knight
NM Voices for Children