

## Report: N.M. can improve racial equity with targeted tax policies

Written by Sharon Kayne New Mexico Voices for Children  
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ALBUQUERQUE — Many of our state and nation’s systemic racial inequities are the result of public policies that benefit some groups while disadvantaging others. Such policy is even found in our tax codes. But by changing them, New Mexico can begin to build a more equitable future. That’s the main message in a new report issued by New Mexico Voices for Children.

The report, *Tax Policy: A Powerful Tool to Advance Racial Equity in New Mexico*, looks at some of the public policies that created and continue to maintain systemic racism, while including recommendations for building a more equitable tax code.

“When people think of systemic racism, tax policy is probably not the first thing to come to mind,” Paige Knight, a research and policy analyst for the child advocacy group and the author of the report, said. “But tax policy determines how we collect the revenue that we need to fund our schools, hospitals, infrastructure, and more, and while people at all socioeconomic levels benefit from these public systems, some are expected to pay a much higher share of their wages to pay for them than are others.”

The report shows that those earning the lowest incomes – who are disproportionately people of color – pay the highest share of it in state and local taxes, while those at the very top – who are more likely to be white – pay the lowest share of their income in these taxes. Many of the tax policies that have worsened this inequity came from the trickle-down-economics school of thought, but they have failed to create jobs or any other benefits that are shared broadly across the state.

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Among the report's recommendations are to raise the personal income tax rate for the state's highest income earners, who received a very generous – and ineffective – tax cut in 2003. These cuts made our income tax code essentially flat – meaning New Mexicans paid the same top rate whether they earned \$35,000 or \$350,000. Legislation that was passed in 2019 raised the tax rate for those in the top three percent and improved the overall equity of the tax code, but more remains to be done.

The report also recommends reinstating the estate tax on high-value property, as well as ending some deductions, including the 40 percent deduction for capital gains income. This deduction means that the profits made from selling stock, real estate, and other valuable assets is taxed at a lower effective rate than are the wages and tips earned by everyday hard-working New Mexicans.

In addition to ensuring the wealthy and well-connected pay their fair share, New Mexico can enact targeted policies and tax cuts for families struggling financially by expanding and increasing the Working Families Tax Credit, enacting a state child tax credit, and increasing the Low-Income Comprehensive Tax Rebate.

“New Mexico’s lawmakers have the power to enact policies that improve racial and ethnic equity in our state – and tax policy is an important tool at their disposal,” Knight said.

***The report can be found online at <https://www.nmvoices.org/archives/14895>.***

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