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At no other time of the year are we more generous than during the holiday season, as we shower those we love with gifts and make donations to those in need. But nearly two years of a global pandemic have put too many hard-working New Mexico families in a financial bind. If worries over lost wages and unpaid bills have dampened your holiday cheer, you may find that the new year will bring some long-needed good news.

When you file your tax return this winter, you may be in for a very nice surprise. Thanks to the leadership of state legislators and Governor Lujan Grisham, New Mexico enacted several improvements in two tax credits that help those New Mexicans who need it most.

These improvements to our income tax system will benefit more than 500,000 New Mexico tax filers who earn low wages and return some $100 million more to them every year either in the form of lower taxes or larger rebates. As much of this money will be spent quickly and locally, the state as a whole will benefit, as well.

The first of these improvements was to the Working Families Tax Credit. The WFTC is the state version of the federal Earned Income Tax Credit – bi-partisan legislation that has long been hailed as one of the best anti-poverty programs ever enacted by Congress. In New Mexico, more than 250,000 children benefit from these two state and federal tax credits. The dollar amount that New Mexico's working families receive from the WFTC was increased by 47 percent.

In addition, eligibility for this tax credit was expanded to include working parents who file their tax returns using an Individual Taxpayer Identification Number and 41,000 more young workers who earn low incomes.

The second big change was to the Low-Income Comprehensive Tax Rebate. This rebate is important because it is available to New Mexicans who have low incomes but are not working – such as seniors. The dollar amount for LICTR was more than tripled for the 220,000 New Mexicans who currently receive it. In addition, the income eligibility level was expanded, so another 160,000 tax filers will be able to claim it.

Finally, the rebate was indexed to inflation, meaning it will automatically be increased annually. This is important because, until last year, the rebate had not been updated in two decades, so it had lost a great deal of its value. Because LICTR provides extra benefits for the 56,000 seniors who receive it, this change will provide critical relief for those New Mexico seniors earning the lowest incomes.

Aside from helping those New Mexicans who need help the most, these changes also make our tax system more fair and equitable. Our state tax system benefits the rich. Due to centuries of systemic racism – that is, policies that placed barriers to success in the way of people of color – most of the people who have great wealth are white, and families raising children weren't the highest priority in the tax system. But improvements over the past two years have changed that, and New Mexico is a leader in making communities, families, and kids a top priority in tax policy making.

We've seen great improvements in our tax system, and there is still more work to be done, like enacting a state child tax credit, reducing our over-reliance on the boom-or-bust revenue from oil and gas, and continuing to improve fairness and racial equity. Our elected officials enacted some excellent and family-focused changes in 2021 and that should make 2022 – and our state's future – a little brighter.

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