ALBUQUERQUE — A new study released Oct. 17 by the Institute on Taxation and Economic Policy finds that the lowest-income New Mexicans pay a state and local tax rate that is almost double what the state's wealthiest residents pay as a share of their income.

The study, Who Pays? A Distributional Analysis of the Tax Systems in All 50 States , analyzes tax systems in all 50 states. The analysis evaluates all major state and local taxes, including personal and corporate income taxes, property taxes, sales, and other excise taxes.

"Taxes are the way we accomplish great things for our state – build our schools and infrastructure, provide health care and public safety, and more," said James Jimenez, executive director of New Mexico Voices for Children, which partnered with ITEP on the report release. "These systems and services underpin our economy and improve our quality of life. We all need to do our part to support them, but our current state tax system ensures that those who can afford to pay the most actually pay the least."

New Mexico's tax system is considered regressive because the lower one's income, the higher one's effective tax rate. This is in part because New Mexico, like most other states, relies more heavily on sales and excise taxes to raise revenue and less on personal income taxes, which tend to be more progressive (meaning the higher one's income, the higher one's effective personal income tax rate). Effective tax rates by income level can be found on the attached fact sheet.

The report also ranks the states on how regressive their tax systems are. New Mexico is ranked 19th worst in the nation. The report cites New Mexico's large deduction for capital gains income and the lack of an estate or inheritance tax as two of the reasons its tax system is regressive.

"New Mexico's tax system actually increases income inequality, and the trickle-down tax cuts of the past 15 years have only added to this problem," Jimenez said. "The next governor and Legislature need to take this report into account when they consider any changes to the tax code."

The child advocacy organization has long advocated for the state to close the capital gains tax

deduction and use the proceeds to increase the Working Families Tax Credit, which helps working families with children make ends meet. Among other changes, it is also advocating for a state Child Tax Credit, and a more progressive personal income tax, to improve economic equity and opportunity for New Mexico families.

As the Who Pays? study shows, broad-based graduated personal income taxes are the most equitable way to raise revenue. There's also a more practical reason for New Mexico and all states to be concerned about regressive tax structures, according to ITEP.

If the nation fails to address growing income inequality, states will have difficulty raising the revenue they need over time. The more income that goes to the wealthy (and the lower a state's overall tax rate on the wealthy), the slower a state's revenue grows over time – meaning fewer opportunities for everyday New Mexican families for making strides for their families.

The ITEP report is available for download at: www. itep.org/wp-content/uploads/whopays-ITEP-2018.pdf

By Sharon Kayne

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