

## Income Inequality in New Mexico: A S

### Richest households capture largest share of New Mexico income

The top 5 percent of households receive 19 percent of the income, even without counting capital gains.

Top 5% of households... receive 19% of income



### Income inequality has grown in recent decades

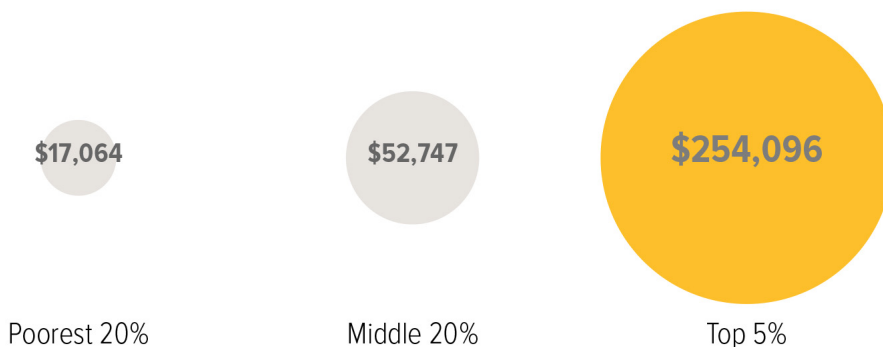
**+55%** Income change for **top 1 percent of households** since 1979

**-9%** Income change for **all other households**

### Incomes of richest households dwarf those of poorest

After decades of growing inequality, New Mexico's richest households have dramatically bigger incomes than its poorest households.

The top 5 percent of households have average incomes 15 times as large as the bottom 20 percent of households and 5 times as large as the middle 20 percent of households.

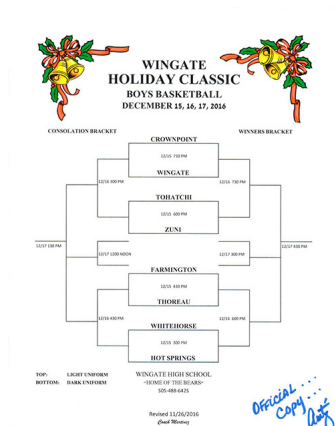


Source: CBPP analysis of 2015 American Community Survey household income data. Income includes estimated SNAP payments, payroll taxes, and federal income taxes (including Child Tax Credit and Earned Income Tax Credit) but omits capital gains income. Incomes are for family of four in 2015 dollars. Top 1 percent comparison extends through 2013 and uses IRS data from EPI, "Income Inequality in the U.S. by state, metropolitan area, and county," June 16, 2016. For more details see CBPP, "How State Tax Policies Can Stop Increasing Inequality and Start Reducing It."

## CBPP Report: New Mexico among states with highest income inequality

Written by By New Mexico Voices for Children  
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ALBUQUERQUE—New Mexico is among the states with the highest income inequality in the country, according to a new report from the Center on Budget and Policy Priorities. New Mexico ranks 12<sup>th</sup> in the country, with its richest residents—the top 5 percent of households—having average incomes 15 times as large as the bottom 20 percent of households and five times as large as the middle 20 percent of households. The top 5 percent of New Mexico’s households receive 19 percent of the state’s income, even without counting capital gains.

The report, *How State Tax Policies Can Stop Increasing Inequality and Start Reducing It*, also shows that the concentration of income among the wealthiest residents is striking in every state—reflecting three-and-a-half decades of unequal income growth:

The top 1 percent’s share of income rose in every state and the District of Columbia—and it doubled nationally, from 10 percent to 20 percent—between 1979 and 2013, according to a recent analysis of IRS data.

The average income of the top 5 percent of households in every state is at least 10 times that of the bottom 20 percent, even excluding capital gains.

In the typical state, the average income of the richest 5 percent of families (\$325,928) dwarfs that of the poorest 20 percent (\$22,014) and middle-income families (\$66,165).

For more than three decades, income gains in the American economy have accrued largely to the richest households, while many middle and lower-income Americans haven't shared in the nation's growing prosperity. This has reduced opportunities for working people striving to get ahead and weakened our overall economy.

"Though the growth in inequality reflects a host of long-standing national and global economic trends some of which are outside state policy-makers' control, New Mexico's policy choices can make matters worse or improve them," said James Jimenez, executive director of New Mexico Voices for Children, which works with the CBPP. "New Mexico has taken numerous actions — such as cutting income tax rates at the top and raising gross receipts taxes — that expanded inequality by shifting more of the tax responsibility to lower- and middle-income residents. The state should adopt a more balanced approach that increases the share of taxes paid by high-income earners."

The report offers recommendations about how state tax policies can be used to begin to reduce inequality. They include:

Retain or expand taxes on inherited wealth, such as the estate tax.

Eliminate costly and ineffective tax breaks for corporations.

Expand earned income tax credits, such as New Mexico's Working Families Tax Credit, which boost incomes among low-and moderate-wage working families.

Maintain an overall tax system that raises sufficient revenue to pay for the building blocks of shared prosperity.

"The fact that the lion's share of income gains has gone to the wealthiest residents contradicts the basic American belief that hard work should pay off—that the people who contribute to the nation's economic growth should reap their share of the benefits of that growth," said Elizabeth

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McNichol, a senior fellow at CBPP the author of the report. “Such inequality is both a barrier to Americans striving to provide for themselves and their families and a drag on future economic growth. Reducing it should be a high priority for state policy-makers.”

***By New Mexico Voices for Children***