

2023 TAX POLICY PRIORITIES



TAX RELIEF FOR FAMILIES

- **Increase the Child Tax Credit**
 - Credits like New Mexico's Child Tax Credit (CTC) that boost economic opportunity for families are shown to reduce childhood poverty and improve outcomes for kids and their families.
 - Increase the Child Tax Credit to \$400-\$600 per child for families making less than \$50,000.

REVENUE DIVERSIFICATION

- **Repeal the capital gains deduction**
 - New Mexico is one of only nine states to tax income from capital gains at a lower rate than the wages of hard working people. Currently, New Mexico allows 40% of this unearned income to be deducted from income taxes, making this an unnecessary and unfair tax break that overwhelmingly helps the wealthiest while making revenue unavailable for much-needed public investment.
 - *Note: HB 291 in 2021 passed out of the House and passed STBTC with a near-full repeal of this deduction, but this provision was amended out when the bill reached SFC.*

- **Raise PIT for the state's highest earners**
 - In 2003, New Mexico eliminated the top three personal income tax brackets, benefiting only the highest-income earners in the state. This made our income tax system essentially flat. In 2019, legislators restored some progressivity by introducing a new bracket, but only for the highest 3% of earners. We can continue to fix our upside-down tax code, have a more sensible and gradual increase in rates, and ensure the wealthiest pay their fair share by raising rates for higher earners and introducing additional brackets at the high end of the income scale.
 - *Note: HB 291 in 2021 included increases in PIT for high earners and some restructuring of brackets at the higher ends; this was passed by STBTC but amended out when the bill reached SFC before the final passage of the bill.*
- **Increase CIT for large corporations and enact a new Corporate Minimum Tax**
 - Increase the corporate income tax: in 2013, lawmakers significantly cut corporate income taxes. This did not lead to increased economic activity, but it did substantially reduce revenues needed for the public investments that create jobs and build a strong economy. Because of these cuts to the corporate

income tax, hardworking New Mexicans have had to bear more of the responsibility in paying for the resources and services that both businesses and people use.

- Establish a corporate minimum tax of \$500 or more: corporations benefit from New Mexico's land and water, roads and bridges, and public services, yet many do not pay their fair share for these public goods. In fact, large corporations can currently exploit the many loopholes that exist or claim numerous tax breaks and end up paying no income tax at all. New Mexico, at the very least, should have a flat dollar minimum tax of at least \$500.
- *Note: HB 291 in 2021 was amended by STBTC to increase CIT for businesses with net incomes over \$500K, phasing in a new top rate of 7.6% over five years. This provision was amended out when the bill reached SFC before the final passage of the bill.*

- **Repeal ineffective GRT tax breaks to broaden the base and pay for a lowering of the rate.**
- **Increase the alcohol tax and target the funds for behavioral health.**
- **Increase the tobacco products tax as recommended by the TSROC to deter youth tobacco product usage.**

GENERAL GUIDELINES

- **Because much of the surplus should be treated as non-recurring, be prudent with all permanent or recurring tax breaks. All recurring tax cuts should be tailored and targeted to those in need and with equity principles in mind.**
- **Place sunsets on tax cuts in case of future revenue downturns.**

- **Consider including circuit breakers on tax cuts (as was included on the GRT cut in the 2022 tax package) so that they sunset or don't go into effect if revenue estimates decrease.**

OPPOSE

- **GRT anti-pyramiding**
 - Lowering the GRT rate is preferred to reducing pyramiding. A rate cut benefits families as well as businesses and avoids picking winners and losers in the tax code. Anti-pyramiding is directly contrary to the legislature's goal of broadening the base and lowering the rate. Any GRT rate cut should have a circuit breaker similar to the 2022 tax legislation in case future revenues fall.

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