



Child Well-Being and the 2022 Legislative Session

League of Women Voters
February 2, 2022

NM Voices for Children
Amber Wallin, MPA, Deputy Director

www.nmvoices.org

A group of diverse children are playing outdoors in a park-like setting. They are smiling and blowing bubbles. The background is filled with green trees and foliage, creating a bright and cheerful atmosphere. The children are of various ethnicities and are dressed in casual clothing. The overall scene conveys a sense of joy and community.

**Our mission is to
champion public
policies that improve
the well-being of
New Mexico's
children, families,
and communities.**



Why NMVC works on tax policy

Tax policy is a powerful tool that can help advance equity because it determines **who pays their fair share of taxes, who doesn't, and who benefits most** from the way the system is structured.



2021 KIDS COUNT rankings



ECONOMIC
WELL-BEING

DOMAIN RANK

48



EDUCATION

DOMAIN RANK

50



HEALTH

DOMAIN RANK

37



FAMILY AND
COMMUNITY

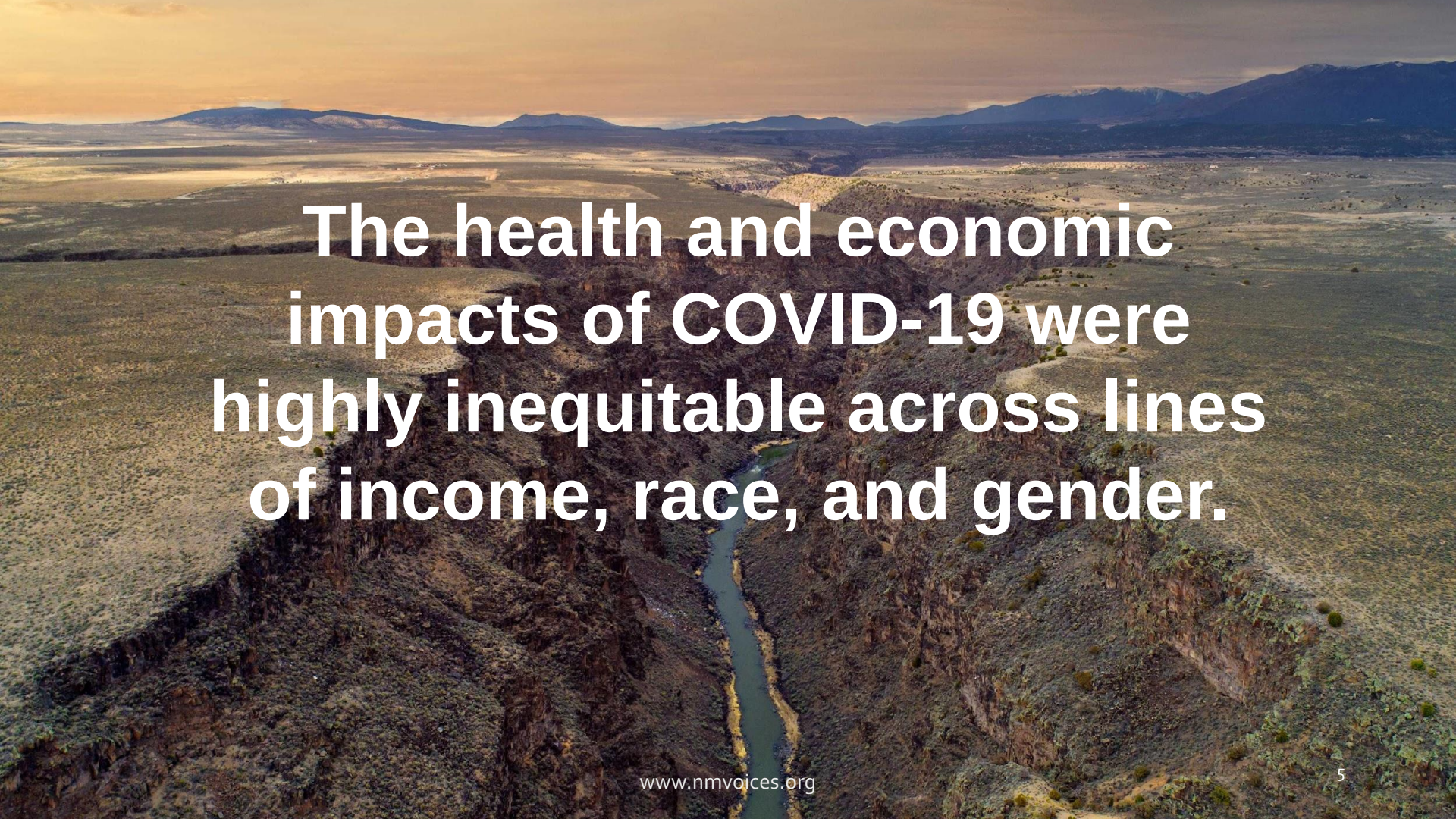
DOMAIN RANK

48

49th overall *using pre-pandemic data*

Pandemic impacts on family well-being

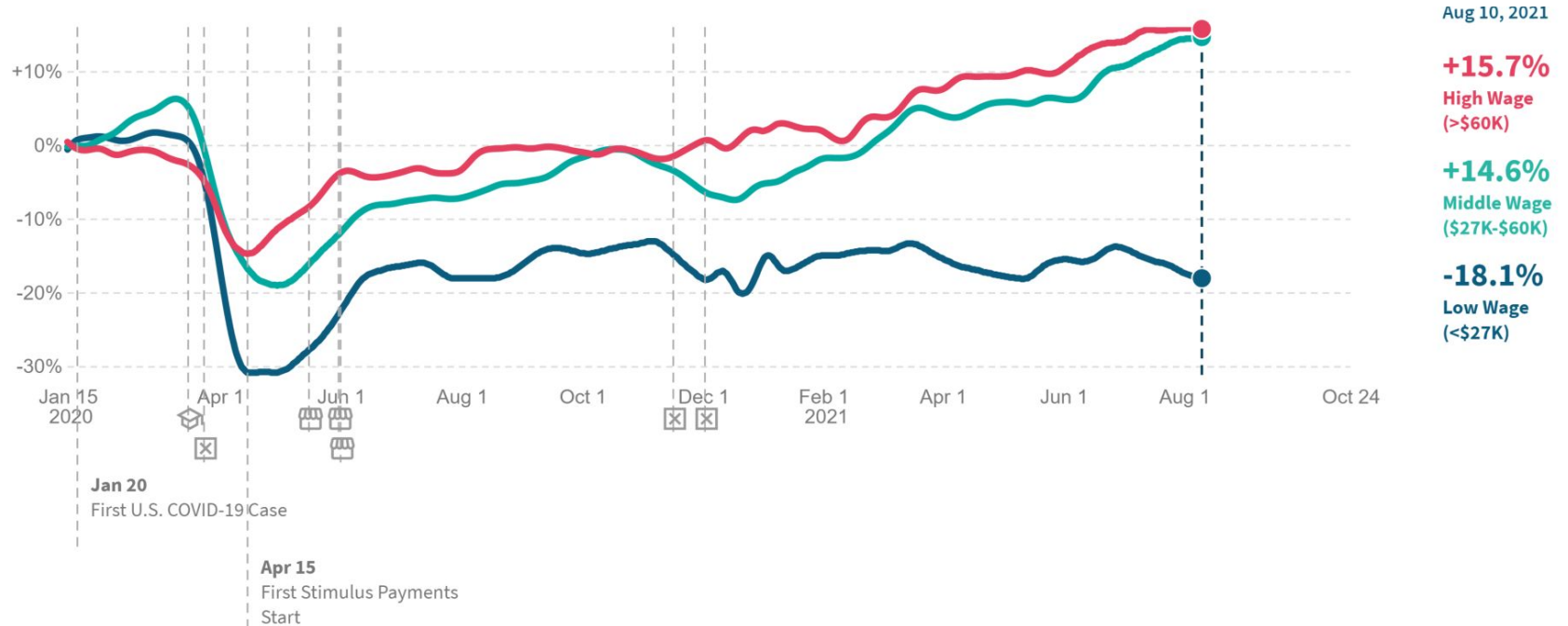
- 21% of NM parents unsure how to pay rent
- 38% of NM parents had difficulty paying for basic household expenses
- 31% of NM households with children were not eating enough
- 40% of NM parents with children under 5 with childcare disruptions in the past month because of COVID19



The health and economic impacts of COVID-19 were highly inequitable across lines of income, race, and gender.

Low-wage workers hardest hit by COVID-19

Percent change in employment: In New Mexico, as of August 10 2021, employment rates among workers in the bottom wage quartile decreased by 18.1% compared to January 2020 (not seasonally adjusted)



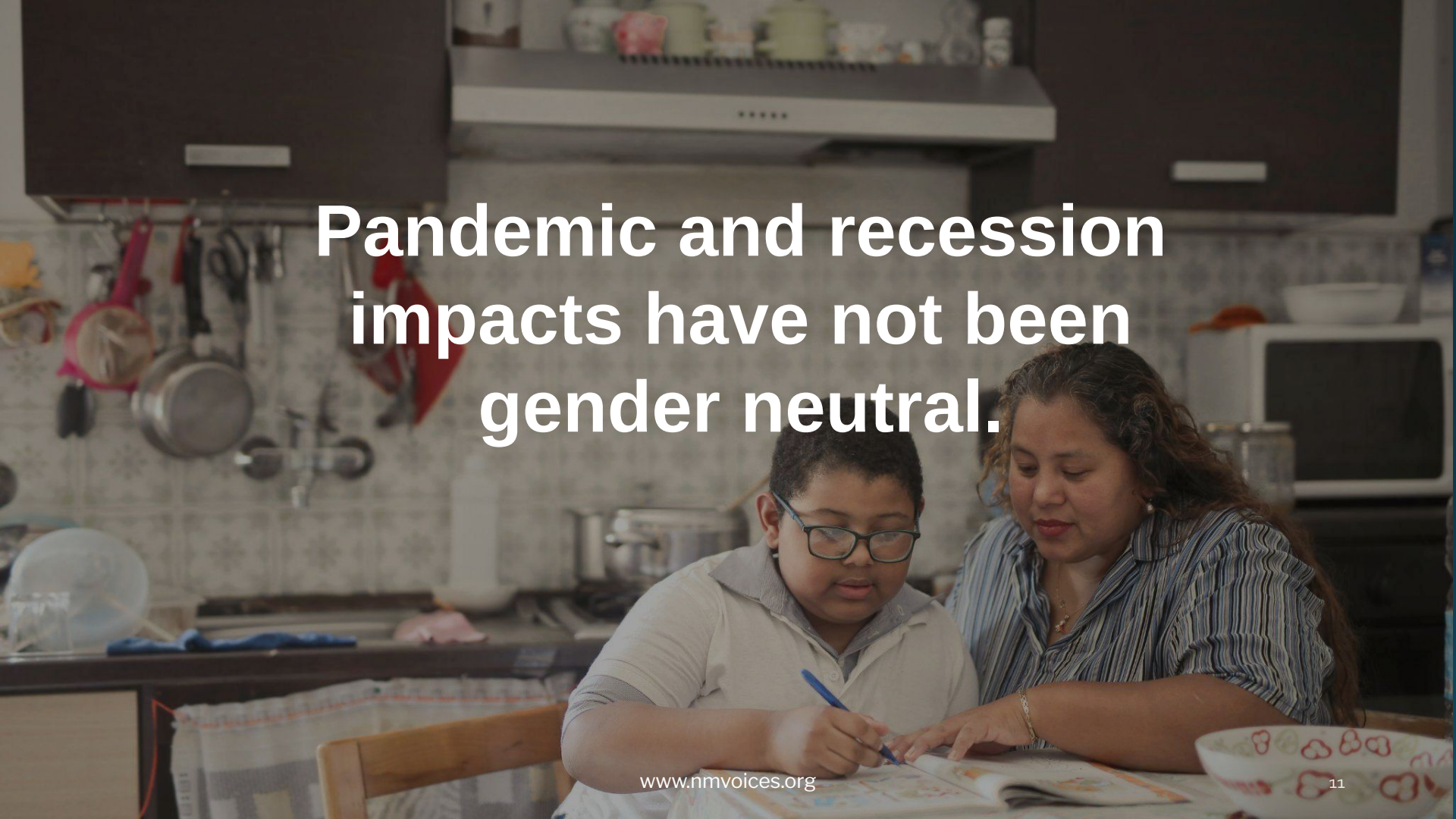
data source: Earnings, Intuit, Kronos, Paychex

A night landscape photograph showing a starry sky over a vast, dark terrain. In the distance, a city or town is visible, illuminated by numerous lights that create a glowing horizon line. The foreground consists of rocky, uneven ground with some sparse vegetation, including a prominent, dark, leafless tree on the left and some green shrubs on the right. The overall scene is a mix of natural beauty and human-made light pollution.

**Pandemic and recession
impacts have not been
race neutral.**

COVID-19 disproportionately harmed people of color

- Hispanic workers saw steepest employment losses and have the most ground to make up to reach pre-pandemic employment
- Asian women faced the worst change in unemployment during the recession
- Hispanic New Mexico parents more than twice as likely to have lost employment income than non-Hispanic, white New Mexicans
- Hispanic New Mexico parents more than three times as likely to be unsure how/if they can make next housing payment



**Pandemic and recession
impacts have not been
gender neutral.**

COVID-19 has caused gender inequities to grow, especially among parents

- **Women = 47% of NM workers; 64% of frontline workers**
- **More mothers than fathers have lost wages, decreased work hours, and exited the labor force**
- **Mothers with young children have reduced their work hours 4 to 5 times more than fathers**
- **Men gained 220,000 jobs in September, but women lost 26,000 jobs**

Inequities persist for BIPOC women

- Women's labor force participation rate lowest since 1988
- Even higher unemployment rates for Black women, Hispanic women, and other demographic groups
- Asian women faced the worst change in unemployment during the recession
- The gender wage gap has increased especially for Hispanic, Native American, and Black women
- Immigration restrictions and language barriers make for higher hurdles for immigrant and refugee families

A photograph of a woman with long dark hair and a young girl with curly hair, both smiling warmly at each other. The woman is wearing a purple top, and the girl is wearing a blue denim-style top. They are outdoors, with a blurred background of greenery and a bright sky. The text "But there's good news too." is overlaid in white, bold font across the center of the image.

But there's good news too.

Data show many bright spots

- Over time, women's educational and economic opportunities have grown
- Black, Asian, and Hispanic women have high rates of labor force participation
- Black, Hispanic, and Native American women most likely to lead their households
- 42% of our Native American children are bilingual
- Enrollment in high-quality early care and ed programs up
- Teen births down



**Policy matters, and
progress is possible.**

Policy improvements for families

- Paid sick leave
- Income tax cut for 70% of NM families with children
- Tax relief for working parents
- Food security investments
- Relief for immigrant families left out of federal relief
- Most family-friendly child care assistance program
- (ARPA) Federal Child Tax Credit expansions
- (ARPA) Major federal investments in child care, education, health, and housing systems relief



Moving forward

Revenue update

- FY23 revenues \$9 billion
- \$1.6 billion in “new money”, 22% growth from FY22
 - Indirect impacts of federal funding
 - Oil and gas boom
- \$600 million + in unspent ARPA fundings
- HAFC budget of \$8.5 billion
 - \$1 billion over FY22, 14% increase

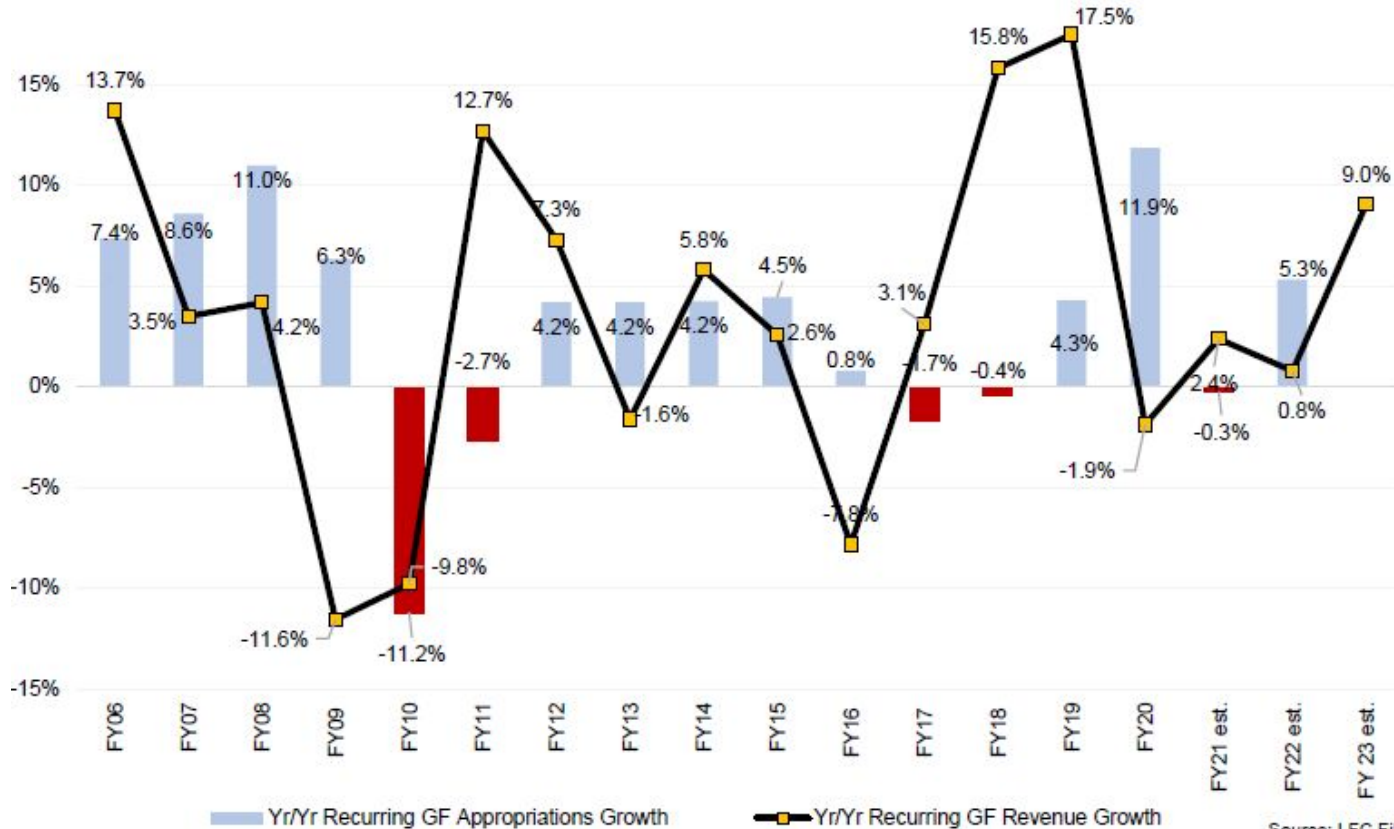
Prioritize families in public policy

- **Extend postpartum Medicaid coverage**
- **Robustly support child care assistance, prek, and home visiting programs**
 - **Expand budgets, protect funding streams**
- **Provide robust safety net supports**
 - **Economic relief**
- **Combat food insecurity**
- **Fully fund and support classrooms and higher ed**
 - **Teacher salaries; Opportunity Scholarship; tribal education framework**

A person is seen from behind, standing in a field with their arms outstretched towards a bright sunset. The sun is low on the horizon, creating a strong glow and silhouetting the person. The background shows rolling hills and a cloudy sky.

**Stable, sustainable, and
diversified revenue builds
the foundation for a
stronger New Mexico.**

Recurring Revenue and Appropriation Annual Growth



Source: LFC Files

Stable, sustainable, and diversified revenues help build a stronger future

- 2017: revenue shortage caused major cuts
- 2019: 75% of revenue *surplus* tied to O&G
- 2020: declines in O&G accounted for 70% of projected revenue *decline*
- \$1 change in price of oil has a \$27 million impact
- Volatility and long-term decline put NM at risk

We must build our future on a broader, stronger foundation so that generations of kids can meet their full potential

Tax bills being considered

Recurring tax cuts

- **Gross receipts tax (GRT) and compensating tax cuts***
 - Paired with restrictions on local government increases
- **Anti-pyramiding bills to reduce taxes for certain service providers***
- **Environmental policy tax breaks**
- **Other bills to reduce taxes for certain professionals and individuals**

Temporary relief

- **Tax deduction for restaurant industry***
- **Rebates for low- and middle-income individuals***
 - 56% of taxpayers would benefit

The GRT

A photograph of a woman and a young child shopping in a grocery store. The woman is on the right, looking at a shelf of produce. The child is on the left, reaching up to touch a piece of fruit. A green semi-transparent overlay covers the entire image, with white text and a list of points.

Issues


- Regressive & complicated
- Rates have increased, especially in some localities
- E&Y study: taxpayers are treated differently; big business benefits the most

Recommendations

- Broaden the base by repealing ineffective breaks
- Lower state rate
- Don't tax food

The issues with cutting SS taxes

- Costly: \$120m less for other programs
- Exempting Social Security income would benefit higher-income seniors
 - 87% of the value to those making more than \$50,000
 - 66% of the value to those making more than \$75,000
 - Most to top 20% of income earners
 - NM taxes only about 1/3 of Social Security income
- A number of tax code provisions benefit low- and middle-income seniors
 - 56,000 seniors tax received a tax cut with HB291
- NM should promote growth by investing in young families
 - Population under 24 yrs is down; population 65 yrs+ is up 39%
 - Child poverty is twice the level of seniors in poverty

A silhouette of a woman holding a young child against a sunset sky. The woman is on the right, holding the child on her left. The sky is a mix of blue, orange, and purple, with some clouds. The overall mood is peaceful and hopeful.

“We will not march back to what was, but move to what shall be.”


Amanda Gorman, National Youth Poet Laureate, 2021

A photograph of four children running happily on a dirt path in a wooded area. The children are diverse in ethnicity and are all smiling and laughing. The path is covered in dry leaves and pine needles, and the background shows large trees and green foliage. The overall mood is joyful and energetic.

Thank you!

New Mexico Voices for Children
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A photograph of a family of three sitting on the floor. A young girl with curly hair is on the left, a man is in the middle, and a woman is on the right. They are all smiling and high-fiving each other. The background is a simple, light-colored wall.

**Improving tax credits
for families will drive
economic recovery,
improve equity, and
support child well-being.**

A group of children, many wearing yellow shirts with a logo and colorful masks, are sitting in a circle on a floor. In the center of the circle is a large mosaic of an eagle with its wings spread, perched on a banner that reads "CONSTITUTION". The children are looking towards the camera, some with their hands raised. The scene is brightly lit, suggesting an indoor setting like a school or community center.

Talk taxes to me:

**Adequacy and equity
in New Mexico's tax code**

We tried to cut our way to prosperity

Major actions pre-2019

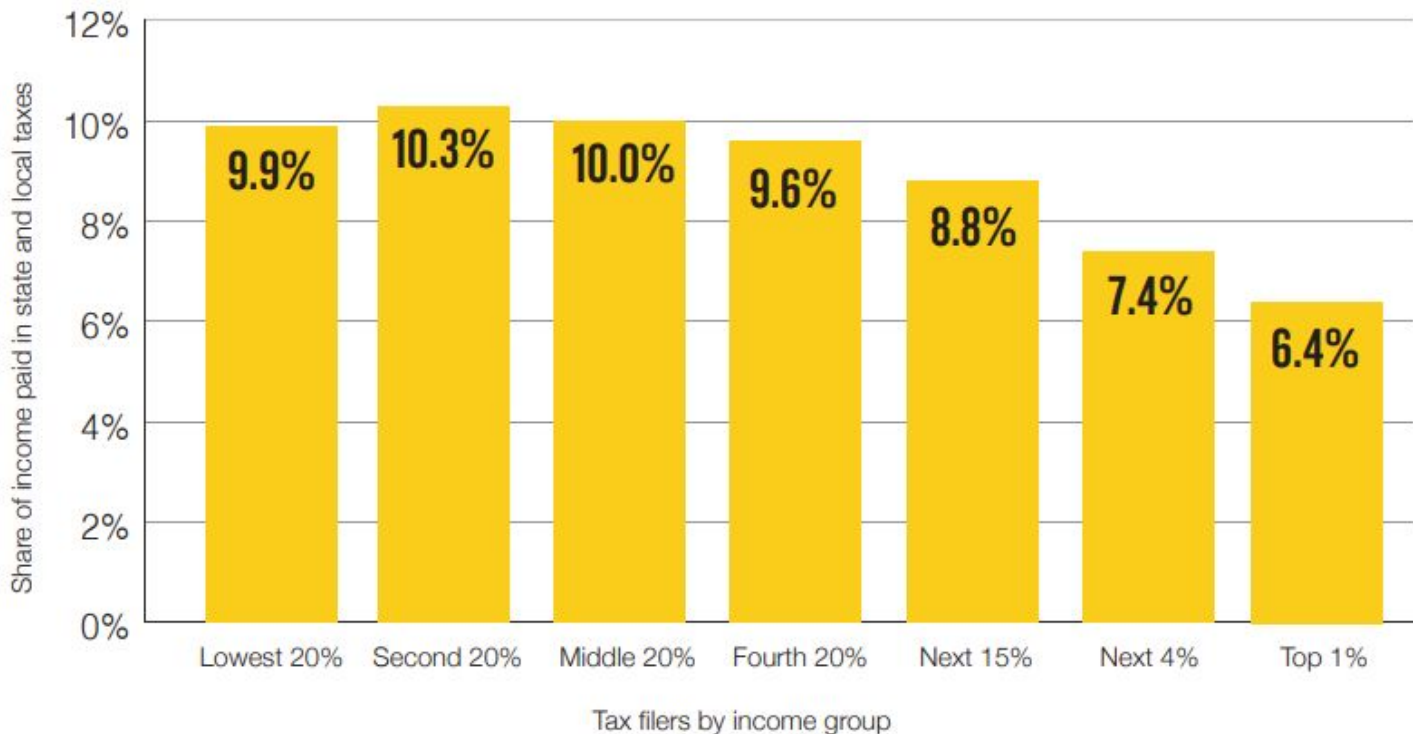
- Personal income taxes: big personal income tax cuts in 1981 and 2003 mostly for the very wealthy
- Wealth taxes: elimination of estate tax in 2001 + major opposition to wealth taxes
- Corporate income taxes: tax cuts mostly for big businesses in 2013
- Gross receipts taxes: tax breaks for different groups, services, and products

Attempts to drive growth by cutting taxes harmed adequacy and equity

- Inability to fund crucial programs
- Overreliance on oil and gas industry's volatile revenues
- Inequitable and unbalanced tax system

New Mexico's tax system is upside-down

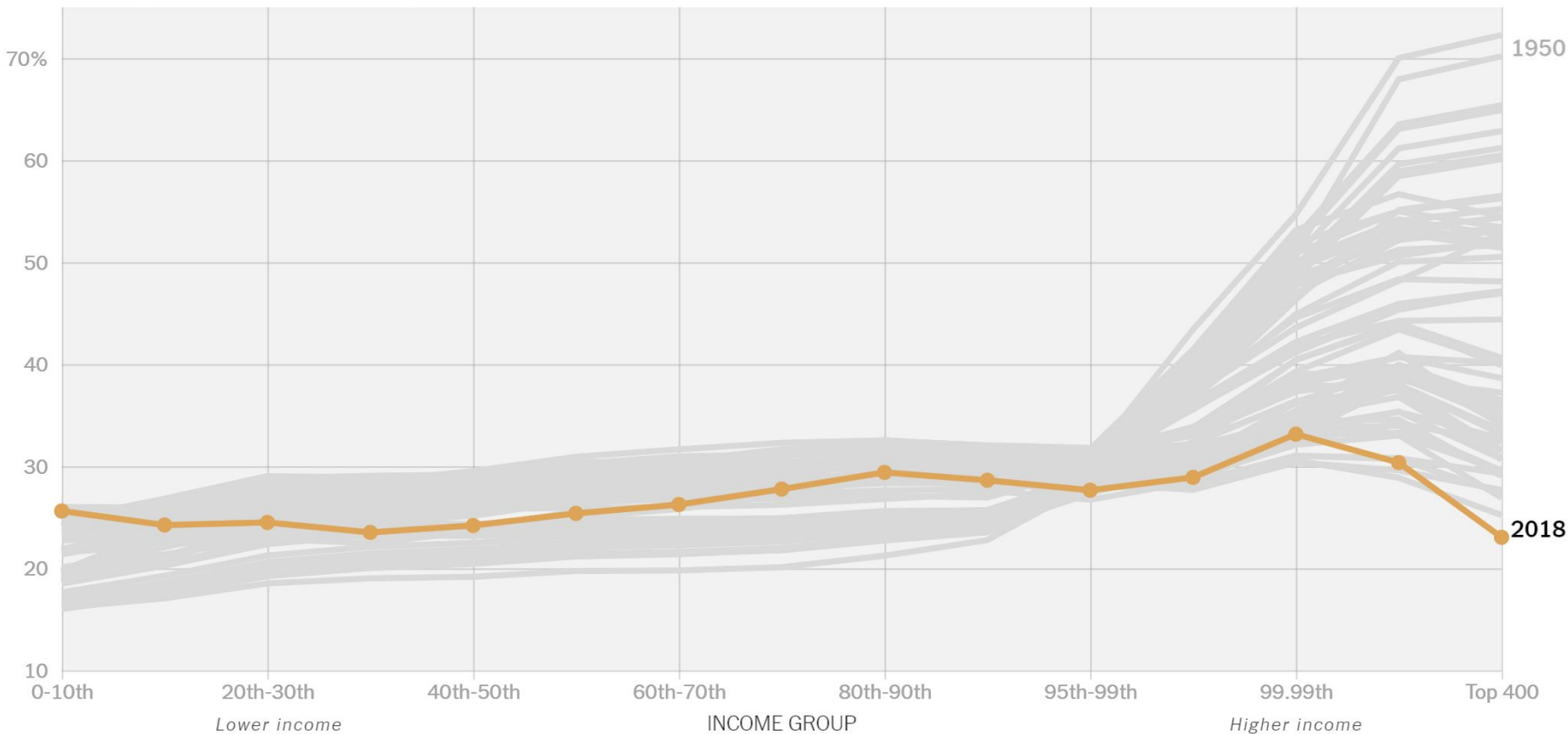
New Mexicans with the lowest incomes pay higher rates in state and local taxes (TY 2021)



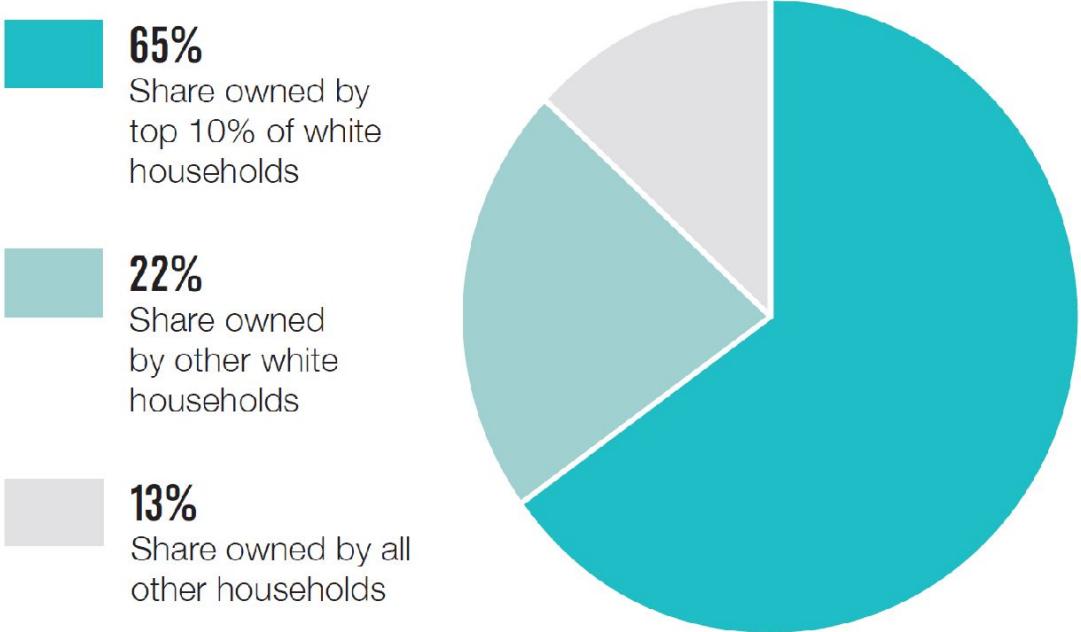
Source: *Who Pays?*, Institute on Taxation and Economic Policy, 2018, updated in 2020 with income tax changes enacted in 2019

Tax cuts at all levels have overwhelmingly favored the wealthiest residents

TOTAL TAX RATE (FEDERAL, STATE AND LOCAL)

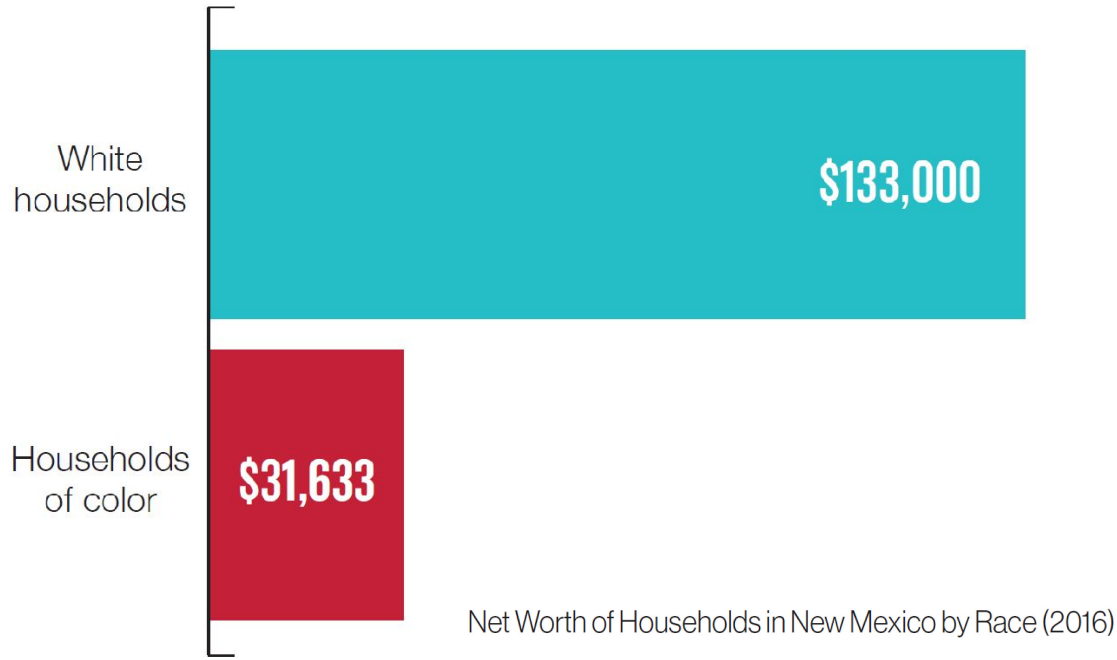


Nearly 90% of US wealth is owned by white households



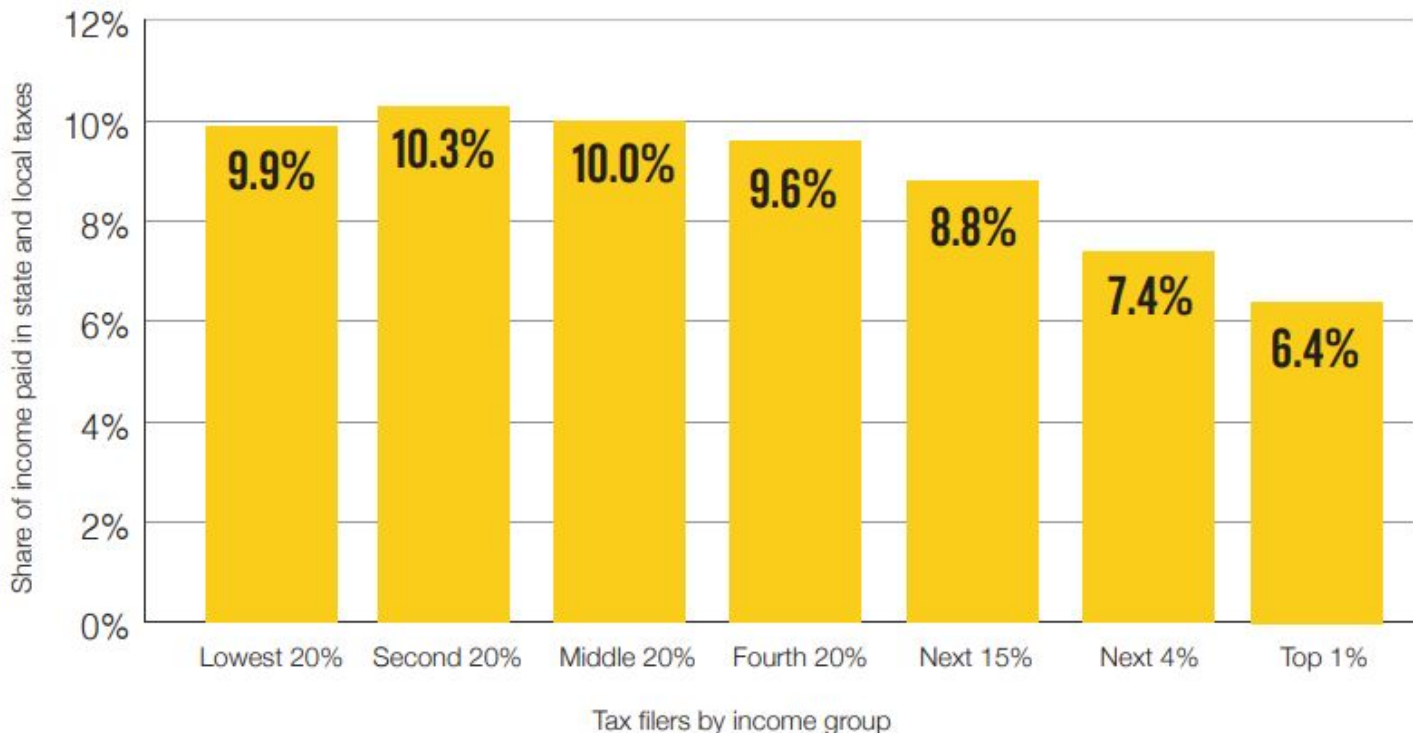
Source: Center on Budget and Policy Priorities' analysis of the Federal Reserve's Survey of Consumer Finances

People of color in NM have had fewer opportunities to build wealth



New Mexico's tax system is upside-down

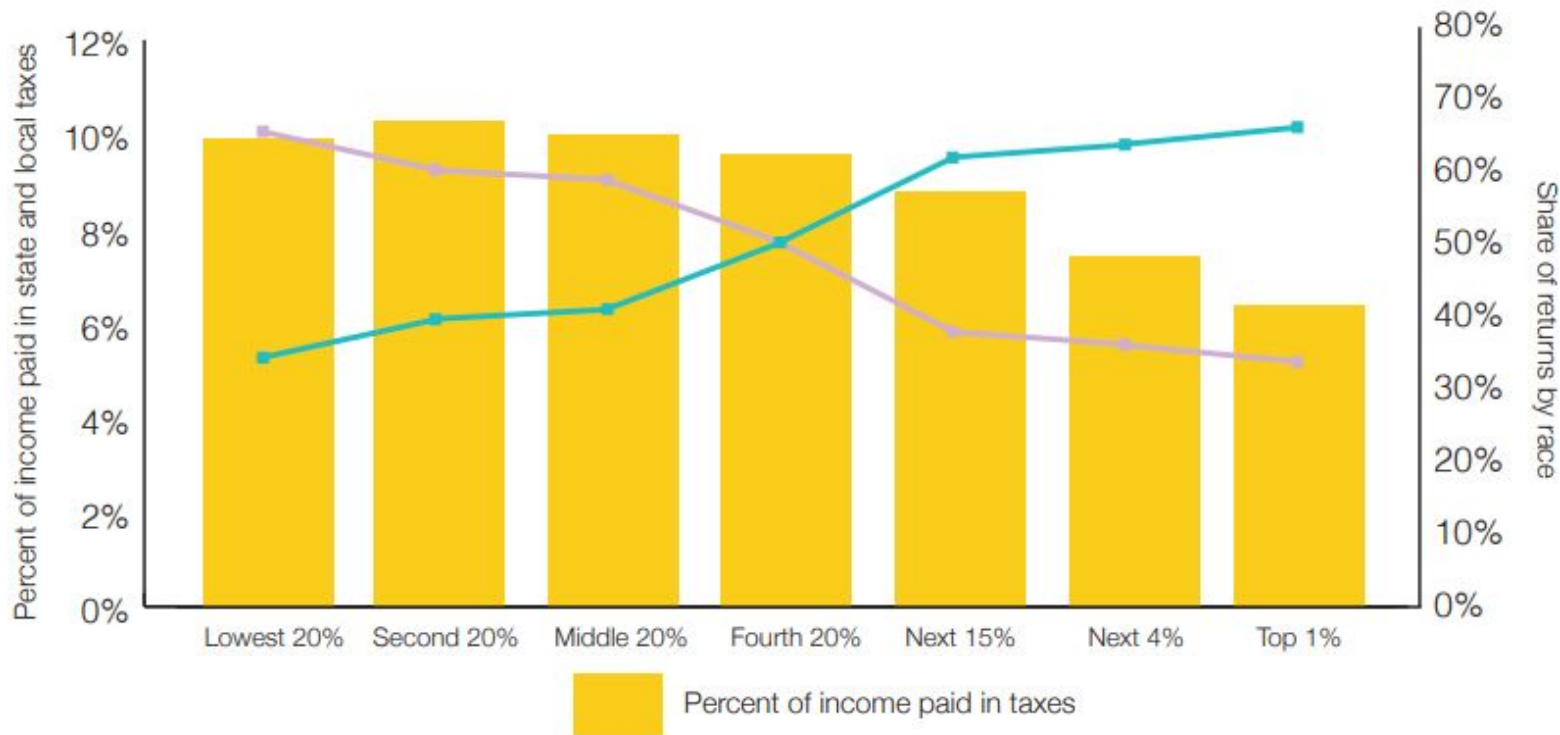
New Mexicans with the lowest incomes pay higher rates in state and local taxes (TY 2021)



Source: *Who Pays?*, Institute on Taxation and Economic Policy, 2018, updated in 2020 with income tax changes enacted in 2019

Racial inequities persist in income distribution

People of color are more likely to pay higher portions of their income in state and local taxes



Sources: Who Pays?, Institute on Taxation and Economic Policy, 2018, updated in 2020



White taxpayers share of returns



Taxpayers of color share of returns



Progress is possible

2019-2021 tax credit changes supported families and improved equity

- **2019:**
 - 70% increase in the Working Families Tax Credit (WFTC)
 - Tax cuts for 70% of NM families with children
- **2021**
 - Increased Working Families Tax Credit by 47%
 - Expanded to new populations of workers: 10K ITIN filers; 41K young workers
 - Indexed and tripled low-income tax rebate (LICTR)
 - \$100 million+ more every year for families
 - Benefiting more than 512,000 households
 - Including 260K parents and 56K seniors
- **\$109 million in tax relief for essential workers**

Federal Child Tax Credit impacts

American Rescue Plan (ARPA) included temporary increase in the federal CTC

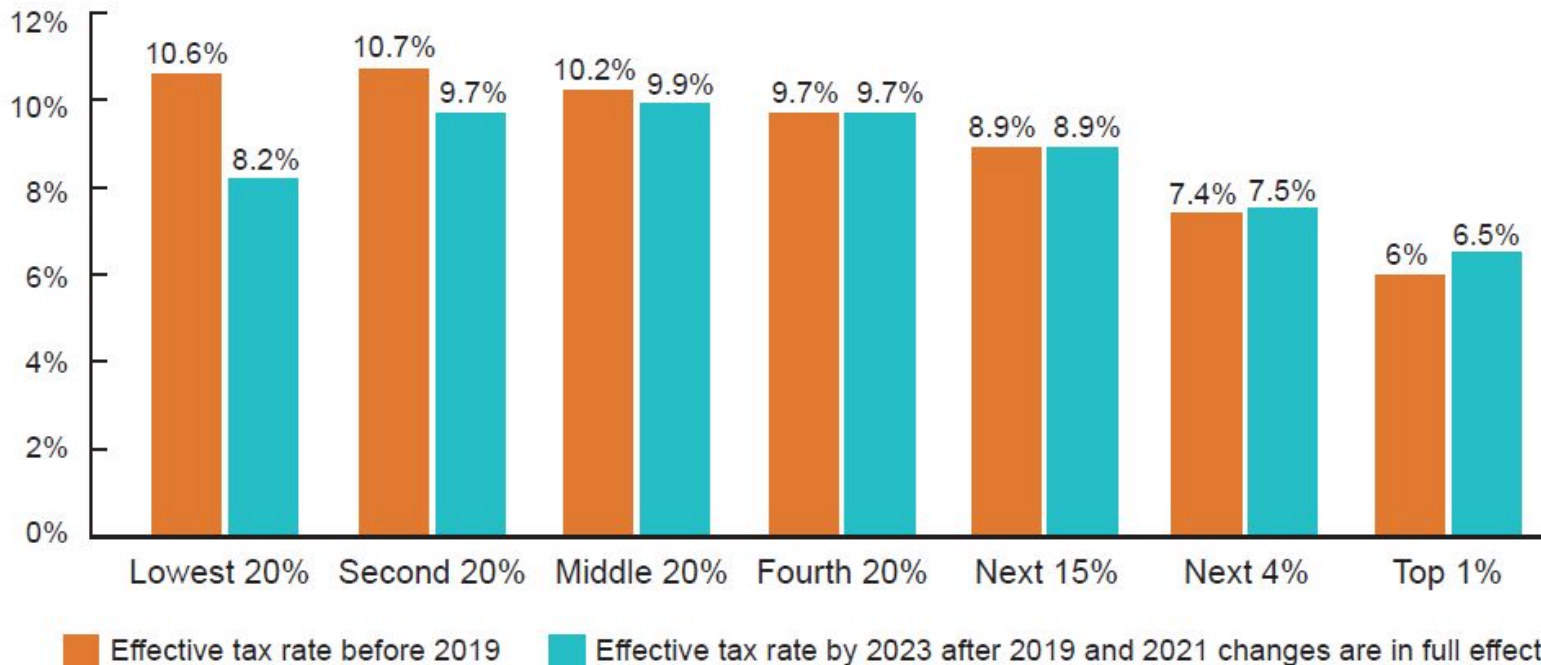
- \$3,000-\$3,600/child up to \$150,000
- Benefits 95% of NM children (450,000+ children)
- Most common expenditure: food
- ~\$700 million total
- Will lift 32,000 NM kids out of poverty

2019-2021 revenue improvements

- **2019:**
 - Higher rates for top 5% = more revenue, more fairness
 - Increased revenue from internet sales and multi-state corporations
- **2021: income tax revenue provisions did not pass**
 - Ensure top earners & big corps pay their fair share
 - Repeal tax break for high earners
 - House tax package (HB 291) passed both tax committees and full House then **revenue amended out**
- **2021:** health insurance premium tax raises revenue, supports health care affordability, keeps NM in line with federal guidelines
- **2019-2021:** many costly, regressive cuts for wealthy and big corps defeated

This progress has made our tax code more fair

The share of income paid in state and local taxes (income, sales, excise, and property) by income quintile (2018-2023)



Source: Institute on Taxation and Economic Policy, July 2021
NEW MEXICO VOICES FOR CHILDREN




NM tax policy has progressed in important ways

- **More racially and ethnically equitable**
- **Better for families**
- **More progressive**
- **More and more diversified revenue streams**

A photograph of four children running happily in a park with autumn foliage. The children are wearing colorful winter jackets. The text is overlaid on the image.

Where do we go from here?

**Tax policy
recommendations**

A photograph of a family of three sitting on the floor. A young girl with curly hair is on the left, high-fiving a man in the center. A woman is on the right, also high-fiving the man. They are all smiling and appear to be celebrating. The background is a simple, light-colored wall.

**Improving tax credits
for families will drive
economic recovery,
improve equity, and
support child well-being.**

Child Tax Credit

A silhouette of a parent lifting a child into the air against a sunset sky. The parent is on the right, and the child is on the left, being held up. The sky is a mix of orange, yellow, and blue, with some clouds. The overall mood is warm and hopeful.

- **New tax credit of up to \$175 per child**
- **Linked to improvements in health, education, & economic outcomes**
- **75% would go to families of color**
- **Would directly address child poverty**
- **Cost: \$67 million**

Supported by 72% NM voters

Personal income taxes

Issues

- 2003 personal income tax cuts of more than \$500 million
- Capital gains deduction unproven, costly, inequitable
- NM's PIT is significantly underutilized as compared to other states

Revenue options

- Raise rates at high ends

Supported by 70% of NM voters

The capital gains deduction

Issues

- Income that an investor gets when selling an asset at a profit
- Overwhelmingly benefits the wealthiest taxpayers
- One of only 9 states that allows this deduction for all types of capital gains income
- An unproven and costly tax giveaway

Revenue Options

- Repeal the capital gains deduction (\$50m +)

Corporate income taxes


Issues

- Corporations should be responsible for paying their fair share for use of NM's land, water, roads, & services
- Lower rate than national average
- Major cuts at state level in 2013 and federal level in 2017

Revenue options

- Raise rates for more profitable corporations

Supported by 63% of NM voters

A silhouette of a person holding a child up in the air against a sunset sky. The sky is filled with soft, colorful clouds in shades of orange, yellow, and blue. The person and child are dark against the bright background.

**Pandemic and
recession impacts
shine light on
our past and
provide a unique
moment to
reshape our future.**

A wide-angle landscape photograph showing a valley with green fields and scattered trees in the foreground, leading to a range of dark, forested mountains in the background. The sky is bright blue with large, white, fluffy clouds. The text "What is your story?" is overlaid in the center in a white, sans-serif font.

What is your story?

A group of four diverse children are sitting on the ground outdoors, playing with bubbles. The children are smiling and looking towards the camera. The background is a soft-focus outdoor setting with trees and foliage. The text "KIDS COUNT tells a story of opportunity." is overlaid in white, bold, sans-serif font across the center of the image.

KIDS COUNT tells a
story of opportunity.

77% of NM kids are children of color.

