



## Report shows New Mexico has a regressive tax system

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By [Marjorie Childress](#) 11/19/09 10:45 AM

A report released this week by the Institute on Taxation and Economic Policy provides state by state comparisons of how regressive or progressive a state's tax system is. The [analysis of New Mexico](#) is found on pages 78 and 79, and shows that the state has a *regressive* tax system.

This means that the lowest income bracket in the state pays the most taxes by percentage of income. The analysis includes all taxes paid—income, sales and excise, and property taxes—factored in with offsets that people use to reduce their tax burden. New Mexico Voices for Children—an advocacy organization for children—released a statement about the report, saying that when you compare it to a similar ITEP report done in 2003, the overall taxes paid as a percentage of income had improved in New Mexico for all income brackets. At the same time, changes in New Mexico's tax code in 2003 mostly benefited the higher income earners in the state, which has led to the regressive nature of the tax code.

The analysis shows that New Mexico's lowest income earners pay 10.8 percent of their income in taxes, while the highest income earners pay 4.5 percent. The report points to the reduction of the top income tax rates in 2003 as a big factor in making New Mexico's tax structure regressive.

After the 2003 reductions, single filers making over \$16,000 have paid the same state income tax rate across the board in New Mexico, which is 4.9 percent.

“While things have improved some for our low-income workers, the real story here is that things have vastly improved for those in the highest income bracket,” said Gerry Bradley, research director for New Mexico Voices for Children.

“The lower your income, the higher the percentage of it you pay in sales taxes,” said Bradley, “This is because lower-income families generally need to spend all of their income on day-to-day necessities that are taxed, while those in higher brackets can set some of their income aside.”

One of the revenue raising options being considered by Gov. Bill Richardson's budget balancing task force is a surtax on high income earners. For sake of comparison, here is a [chart of all state income tax rates](#) for single filers in the country.