

Cost of Living Tax Relief (\$120 million option)

Proposal

- New Mexico families would receive a refundable personal income tax credit (rebate) this fall to offset the squeeze on their budgets due to the high and rising cost of gasoline, food, and other items.
- The credit would increase with family size and would be higher for low- and middle-income families.
- The credit would be \$120 for each taxpayer plus \$48 for each dependent for taxpayers with adjusted gross incomes up to \$60,000. The credit amount would be reduced above that income level:
 - For taxpayers with incomes between \$60,000 and \$70,000 the credit would be \$80 for each taxpayer and \$32 for each dependent.
 - For taxpayers with incomes between \$70,000 and \$80,000 the credit would be \$40 for each taxpayer and \$16 for each dependent.
 - Taxpayers with incomes over \$80,000 the credit would not qualify for the credit.
- Examples:
 - A married couple with two children and income of \$45,000 would receive a rebate of \$336.
 - A single mother with one child and income of \$25,000 would receive a rebate of \$168.
 - A single person with income of \$15,000 would receive a rebate of \$120.
 - A married couple with one child and income of \$75,000 would receive a rebate of \$96.
- The credit would not be available to a taxpayer who was not a resident of New Mexico, who was a dependent of another taxpayer, or who was an inmate of a public institution for more than six months during the prior calendar year.
- The credit would be retroactive for 2007 personal income tax returns. All qualified residents of New Mexico who filed a 2007 personal income tax return would receive the credit as a reduction in their 2007 outstanding liability, with any excess refunded.

Fiscal Impact

The total estimated cost in FY2009 is \$120.5 million. TRD would incur an additional \$1.0 million of administrative costs for printing, postage, mailing, processing and systems changes.

Distributional Impact

The distributional impact of the cost of living tax credit is shown in the following table.

Distribution of the Cost of Living Personal Income Tax Credit

AGI	Number of Returns (000)	Total Benefits		Average Benefit (\$)
		Amount (\$ millions)	Percent of Total	
Under \$10,000	156.4	\$24.3	20.2%	\$156
\$10,000 - \$20,000	143.4	\$25.7	21.4%	\$179
\$20,000 - \$30,000	112.2	\$21.9	18.2%	\$195
\$30,000 - \$40,000	84.0	\$16.7	13.9%	\$199
\$40,000 - \$50,000	60.6	\$12.8	10.6%	\$211
\$50,000 - \$60,000	47.0	\$10.6	8.8%	\$225
\$60,000 - \$70,000	37.5	\$6.0	5.0%	\$159
\$70,000 - \$80,000	30.0	\$2.5	2.1%	\$83
Subtotal	671.2	\$120.5	100.0%	\$180
\$80,000 and over	115.3	\$0.0	0.0%	\$0
Total	786.5	\$120.5	100.0%	\$153

Taxation and Revenue Department
Office of Tax Analysis, Research and Statistics

August 13, 2008