TIME TO PAY THEIR FAIR SHARE:

New Mexico Can’t Afford to Extend the Bush-era Tax Cuts for the Wealthy Few

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Tax data in this report has been prepared by Steve Wamhoff at Citizens for Tax Justice. Budget data has been compiled by Kate Gallagher Robbins, Senior Policy Analyst, Julie Vogtman, Senior Counsel, and Abby Lane, Policy Fellow, at the National Women’s Law Center. The report was drafted by Frank Clemente, Campaign Manager, Americans for Tax Fairness and Joan Entmacher, Vice President for Family Economic Security, National Women’s Law Center. State reports were compiled by Bill Gordon, Brian Salkin and Morgan Currier at Americans for Tax Fairness. The report’s design is by Deepika Mehta.
AT THE END OF 2012, tax cuts signed into law by President George W. Bush that disproportionately benefit the wealthiest Americans will expire. At the same time, improvements in the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) for working families that were enacted as part of the 2009 American Recovery and Reinvestment Act also will expire.

Congress must decide whether to begin to restore basic fairness to our tax system by ending the Bush-era tax cuts for the richest two percent—households with income above $250,000 a year—while extending the tax cuts for 98 percent of Americans.

President Obama would extend the Bush-era income tax cuts on household income up to $250,000 ($200,000 for an individual), and would extend the 2009 improvements in the EITC and CTC. This approach would give the 98 percent of Americans with incomes below those levels their full tax cuts in 2013. The richest two percent also would receive a tax cut on their first $250,000 in income; but the tax cuts would end on income above those high levels.

Republicans in Congress want to extend the Bush-era tax cuts on all income, including income above $250,000—but end the improvements in the EITC and CTC that benefit lower-income working families. In effect, they would pay for big tax cuts for the wealthy by making low-income working families pay more in taxes, cutting priorities that strengthen the economy and the middle class, and borrowing even more.

Ending the Bush-era tax cuts for the richest two percent is simply asking them to pay their fair share. If unaffordable tax breaks for the wealthy are continued, we won’t be able to address national priorities, such as repairing our crumbling infrastructure, improving education, helping vulnerable children and seniors, and reducing the deficit.

Extending the tax cuts for the richest two percent would cost the federal government about $1 trillion over the next 10 years, including added interest on the debt.1

Next year alone, the Republican plan to extend the Bush-era tax cuts for the richest two percent would cost $68 billion more than the Obama plan, not including additional interest costs on the debt.2 That’s about the amount the federal government will spend this year to repair highways, improve K-12 education, expand opportunities for low-income children with Head Start and school breakfast, ensure clean drinking water, and deliver meals at home to frail seniors.

This report compares the effects on New Mexico residents of President Obama’s proposal to extend the Bush-era tax cuts for all but the richest two percent with the Republican proposal to extend those tax cuts for all Americans, including for the richest two percent, and end the 2009 Recovery Act tax cuts for lower-income working families. This report also shows what the $68 billion that would be saved by ending the Bush tax cuts for the richest two percent means for New Mexico residents.
President Obama’s proposal to end the Bush-era tax cuts on income over $250,000 affects about 2 out of 100 New Mexico taxpayers. That means 98 out of 100 New Mexicans get the same tax cut as before, by and large. [Figure 1]

But, the difference in wealth between these two income groups is huge—2.2 percent of the state’s taxpayers have an average income of nearly $577,000, whereas the other 98 percent make about $55,000 on average.

Under both the Obama and Republican plans, all New Mexico taxpayers get a tax cut up to the first $250,000 they earn. Above that amount, the tax cuts would end under the Obama plan, which is why New Mexico’s wealthiest citizens get a much larger average tax cut under the Republican plan.

For those making more than $250,000, the average tax cut in 2013 under the Republican plan would be about $23,000 compared with about $11,400 under Obama’s plan. [Figure 2]

At the $500,000 income level and beyond the differences are even starker—the tax cut under the Republican plan would be nearly four times larger, about $61,000 compared with about $17,000. [Figure 3]

For those with incomes under $250,000 a year the tax cuts under both plans are generally similar. However, President Obama would give residents making less than $25,000 a year a tax cut twice as large as what they would receive under the Republican plan—$380 from Obama, on average, compared with $190 from Republicans. That’s because President Obama’s plan would extend improvements in the EITC and CTC for lower-income working families while the Republican plan would end them.

Middle-class residents making between $50,000 and $100,000 a year would receive a tax cut of about an equal amount under the Obama and Republican proposals—$1,410 and $1,390 on average, respectively.
The share of the tax cuts received by the wealthiest two percent of residents is hugely disproportionate under the Republican plan. For example, 29.3 percent of the total tax cuts would go to those making more than $250,000 in 2013, compared with 16 percent under the Obama plan.

The difference for taxpayers with income above $500,000 is even more dramatic. Under the Republican plan, these taxpayers—which represent just 0.5 percent of New Mexico taxpayers—would get about 19 percent of the tax benefits, compared with 6 percent under the Obama plan. [Figure 4]

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**FIGURE 3**
Competing Approaches to the Bush Tax Cuts, Impact in 2013 in New Mexico

<table>
<thead>
<tr>
<th>STATE TAXPAYERS</th>
<th>REPUBLICAN PLAN (Permanent Bush income tax cuts for all income, estate tax cut more, no EITC or child credit expansion from Recovery Act)</th>
<th>OBAMA’S PLAN (Extend Bush income tax cuts for first $200k/250k, estate tax cut, extend EITC and child credit expansion from Recovery Act)</th>
<th>REPUBLICAN vs. OBAMA PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Group</td>
<td>% in Group</td>
<td>Average Income</td>
<td>Average Tax Cut</td>
</tr>
<tr>
<td>$1—$25,000</td>
<td>26.8%</td>
<td>$14,720</td>
<td>$ –190</td>
</tr>
<tr>
<td>$25,000—$50,000</td>
<td>29.0%</td>
<td>36,080</td>
<td>–830</td>
</tr>
<tr>
<td>$50,000—$100,000</td>
<td>26.7%</td>
<td>70,500</td>
<td>–1,390</td>
</tr>
<tr>
<td>$100,000—$250,000</td>
<td>14.3%</td>
<td>141,540</td>
<td>–3,930</td>
</tr>
<tr>
<td>$250,000—$500,000</td>
<td>1.6%</td>
<td>355,950</td>
<td>–10,450</td>
</tr>
<tr>
<td>Over $500,000</td>
<td>0.5%</td>
<td>1,237,610</td>
<td>–61,140</td>
</tr>
<tr>
<td>ALL</td>
<td>100.0%</td>
<td>$66,070</td>
<td>–$1,730</td>
</tr>
<tr>
<td>Under $250,000</td>
<td>97.8%</td>
<td>$54,610</td>
<td>–$1,250</td>
</tr>
<tr>
<td>Over $250,000</td>
<td>2.2%</td>
<td>$76,760</td>
<td>–$23,140</td>
</tr>
</tbody>
</table>

*Average Difference: A positive number indicates a taxpayer pays more under the Republican plan than under the Obama plan. A negative number indicates a taxpayer pays less under the Republican plan than under the Obama plan.

Source: Institute on Taxation and Economic Policy (ITEP) tax microsimulation model, July 2012

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**FIGURE 4**
Share of Tax Cuts Going to Each New Mexico Income Group, 2013

Republican Plan vs. Obama Plan

- **Republican**
- **Obama**

Source: Institute on Taxation and Economic Policy (ITEP) tax microsimulation model, July 2012
NEW MEXICO CAN’T AFFORD TO KEEP GIVING TAX CUTS TO THE RICHEST TWO PERCENT

Republicans want to spend $1 trillion over the next 10 years to give more tax cuts to the richest two percent. Next year alone, their tax plan would cost $68 billion more than President Obama’s plan. But New Mexicans can’t afford to keep giving away huge sums of money to the people who need it least.

How much is $68 billion? A lot! The $68 billion that the federal government would spend in 2013 by extending the Bush-era tax cuts for the richest two percent equals the amount the federal government will spend in 2012 for all of the following programs combined:

- Highway planning and construction—$39.9 billion
- Title 1, K-12 education—$14.5 billion
- Head Start—$8.0 billion
- School breakfast—$3.3 billion
- Clean Water funds—$2.4 billion
- Meals for homebound seniors—$0.2 billion

These programs, financed by federal tax dollars, help maintain New Mexico’s highways, improve New Mexico’s schools, expand opportunities for New Mexico’s most vulnerable children, provide a nutritious breakfast for children from low-income families, ensure clean drinking water for New Mexicans, and provide meals for frail New Mexico seniors.

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THIS IS WHAT NEW MEXICO’S SHARE OF THE FUNDING FOR THESE PROGRAMS MEANS FOR RESIDENTS:

$330 Million for Highway Planning and Construction
New Mexico will receive $330 million in federal funds in FY 2012 to help it plan, build, and repair highways and bridges and support other transportation improvements. These investments in infrastructure help all residents travel more safely and efficiently and promote economic growth and job creation.

$121.1 Million for K-12 Education
New Mexico will receive $121.1 million in FY 2012 in Title I funds for K-12 education, which are granted to local school districts serving disadvantaged children. In the 2009-2010 school year, 751 New Mexico schools serving more than 295,000 New Mexico children were eligible for Title I funding to support K-12 education.

$62.7 Million for Head Start
New Mexico will receive $62.7 million in federal funds in FY 2012 for Head Start, which helps preschool-age children in low-income families build the skills they need to succeed in school. Head Start and Early Head Start preschool programs served 7,249 children in low-income New Mexico families in 2009.
$36.6 Million for School Breakfast
New Mexico will receive $36.6 million in federal funds in FY 2012 for the school breakfast program, which provides free or reduced price breakfasts to children from low- and moderate-income families. A nutritious breakfast improves children’s health and helps them start the day ready to learn. In 2011, the program served an average of 139,500 New Mexico children each day.

$16 Million to Make Drinking Water Safer
New Mexico will receive $16 million in federal funds in FY 2012 to construct water treatment facilities and ensure clean drinking water.

$1.4 Million to Provide Meals to Homebound Seniors
New Mexico will receive $1.4 million in federal funds in FY 2012 to provide home-delivered meals to frail seniors. About 9,746 New Mexico residents received meals through this program in 2010.

It’s not just common sense—and common decency—that tells us that these investments are more valuable than giving more tax cuts to the richest two percent. They’re also more effective at boosting the economy. Noted economist Mark Zandi estimates that every $1 invested in infrastructure generates $1.44 in economic growth and every $1 invested in aid to states generates $1.34 in economic growth. In contrast, spending $1 to extend the Bush income tax cuts doesn’t even break even; it generates only 35 cents in economic growth.3

CONCLUSION

Giving costly tax breaks for those who need them the least—the richest two percent—is exactly the kind of special-interest giveaways Washington needs to stop.

We admire financial success in America. But when the rich get tax breaks they don’t need and the country can’t afford, the middle class has to make up the difference—and that’s not right.

To strengthen our economy, we need to improve our crumbling infrastructure. We need to support our schools and make sure all children are healthy and ready to learn. We need safe drinking water. We need to provide for the elderly and other vulnerable people.

The wealthiest Americans need to pay their fair share. It’s time to end the Bush tax cuts for the richest two percent.
Estimates of the tax breaks provided under President Obama’s plan and the Republican plan include estimates of proposed income tax breaks and proposed estate tax breaks in 2013 compared to current law (compared to what will happen if Congress simply does nothing).

The income tax cuts under both plans are estimated using the Institute on Taxation and Economic Policy (ITEP) microsimulation tax model. [http://itep.org/about/ITEP_tax_model_simple.php](http://itep.org/about/ITEP_tax_model_simple.php)

The estate tax cuts under both plans are estimated based on revenue estimates from the Congressional Budget Office and calculations by ITEP. President Obama would extend part of the Bush-era cut in the estate tax, which almost exclusively affects taxpayers with incomes above $250,000 (and much higher). The Republican plan would extend a much larger cut in the estate tax for these high-income families.


The tax provisions characterized as President Obama’s plan are included in President Obama’s Budget for Fiscal Year 2013. The tax provisions characterized as the Republican plan are included in the congressional budget resolution for Fiscal Year 2013, introduced by Rep. Paul Ryan (R-WI), which passed the House by a vote of 228 to 181; no House Democrats voted for the Ryan budget and 10 Republicans voted no. The Ryan budget, H.Con. Res. 112, came up in the Senate on a motion to proceed; 41 Republicans and no Democrats voted yes, and 53 Democrats and 5 Republicans voted no. The Ryan budget also proposes large additional cuts in tax rates for high-income individuals and corporations that are not included in this analysis.


Estimates of numbers of people served come from various agencies:
- Meals for seniors: [http://www.aoa.gov/AoARoot/Program_Results/SPR/2010/Index.aspx](http://www.aoa.gov/AoARoot/Program_Results/SPR/2010/Index.aspx) (National & State Figures, Table 1)

ENDNOTES

