

# INCREASING THE STATE CHILD TAX CREDIT WILL HELP NEW MEXICO KIDS THRIVE: SUPPORT HB 144

Sponsored by Rep. Christine Chandler



New Mexico should increase the Child Tax Credit to up to \$600 for families most in need and index the credit for inflation.

Policies like the Child Tax Credit (CTC) that boost economic opportunity for families are shown to reduce childhood poverty and improve outcomes for kids and their families. What's more, they allow families to determine how best to spend the money based on their needs, and families spend the credits quickly and locally, benefiting businesses and the economy too.

New Mexico recently enacted a new state-level CTC that will provide benefits to every single child throughout the state.<sup>1</sup> Increasing the credit to an even more meaningful amount will only build on this progress and provide greater economic security to our families.

## BENEFITS

- Improvements in infant and maternal health<sup>2</sup>
- Decreased poverty<sup>3</sup>
- Reduced childhood hunger<sup>4</sup>
- Better test scores<sup>5</sup>
- Higher graduation and college attendance rates<sup>6</sup>
- More earning power as adults<sup>7</sup>



## INCREASING THE CHILD TAX CREDIT WOULD:



provide \$105 million more in benefits for NM families, with \$12 million going to Native families



provide up to \$600 per child for families most in need



benefit as many as 27,000 grandparents raising grandchildren



improve economic equity for families of color and women



increase fairness in our state tax system

# WHY NOW

Our children deserve every opportunity to thrive and reach their full potential, and although New Mexico has made considerable progress over the past few years in supporting our families, we still have some of the worst rates of child poverty and food insecurity in the nation. Many New Mexico families – especially families of color – are still feeling the effects of the pandemic-related recession. That economic instability – buoyed by rising inflation – continues today for many New Mexico families. In September:<sup>8</sup>

**54%** of parents had difficulty paying for basic household expenses.

**21%** of households with children were in a situation where there was sometimes or often not enough to eat.

**64%** of parents felt very stressed by the increase in prices in the last two months.



Temporary expansions in the federal Child Tax Credit helped New Mexico parents meet the basic needs of their families. The credits were used to purchase basic necessities such as food and housing, and to pay off debt. But with the fate of future federal expansions uncertain, the state must continue to take the lead and ensure all New Mexico families can meet their needs and thrive.

## IMPACT ON EQUITY

The economic downturn – as well as rising prices – have disproportionately impacted people of color, immigrants, and women the most. Tax credits like the CTC are an effective way to target tax reduction to New Mexicans who could most use the help, all while making our tax code fairer and easing the strain on families' budgets.

### Endnotes

1. Families can claim the new CTC starting tax year 2023.
2. David Simon, "Expansions to the Earned Income Tax Credit Improved the Health of Children Born to Low Income Mothers," London School of Economics, June 9, 2015
3. Chuck Marr, Chye-Ching Huang, and Arloc Sherman, "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds," Center on Budget and Policy Priorities, October 2015
4. Kevin Milligan and Mark Stabile, "Do Child Tax Benefits Affect the Wellbeing of Children? Evidence from Canadian Child Benefit Expansions," American Economic Journal: Economic Policy, vol. 3, August 2011
5. Raj Chetty, John N. Friedman, and Jonah Rockoff, "New Evidence on the Long-Term Impacts of Tax Credits," Statistics of Income Paper Series, November 2011
6. Michelle Maxfield, "The Effects of the Earned Income Tax Credit on Child Achievement and Long-Term Educational Attainment," Michigan State University Job Market Paper, November 14, 2013
7. Chetty, Friedman, and Rockoff, 2011
8. U.S. Census Household Pulse Survey Week 49 Household Pulse Survey: Sept. 14, 2022 – Sept. 26, 2022

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