

Stimulate Economy — Return More Earned Income to Taxpayers
By Senator Pete Campos

It seems as if New Mexicans cannot catch a break. We have gone from the financial hardships of the ongoing coronavirus pandemic to an almost inevitable recession. It is now more important than ever to educate taxpayers on options available to them to maximize their annual take-home pay.

Taxes are complicated. To begin simplifying them, policymakers should consider simplifying the tax structure and minimizing pyramid taxation to support the success of small businesses. In addition, policymakers should consider the issue of tax continuity, so taxpayers can take a strategic approach and better plan their family and small business budgets. Policymakers need to collaborate to develop a tax structure that adequately addresses and provides basic government services and that also stimulates state economic development. When business owners know that they will be treated fairly and in accordance with the state's tax structure, they will invest in the state, which creates jobs and growth in their businesses and subsequently stimulates the state's economy.

Using a consistent, minimum combination tax structure would provide workers, retirees and investors incentives to train, prepare and grow their careers, retirement plans and personal income and to save and use discretionary income to enhance their quality of life at all economic levels. Policymakers should consider broadening the tax base to ease the tax burden, particularly at the working-class level, and to inspire our fellow New Mexicans so that they can make a strong living wage and be motivated to continue working.

Doing so would put less stress and demand on personal income tax and would shift the focus to consumption taxes, such as general sales taxes or excise taxes on select goods. The effect of a state's tax structure on economic development includes and is dependent upon not just the right mix of taxes but specific features of those taxes as well. A state's long-term vitality depends on balancing the tax burden among personal and business taxes, a combination of different tax levies and tax holidays that allow taxpayers to choose how much in taxes they wish to pay by deciding what they wish to purchase, instead of a high level of mandated personal income tax.

With the hardships that our fellow New Mexicans face, the suggested broadened tax base

would allow for more take-home income. When we have more take-home income, stress levels decline and discretionary income rises to allow taxpayers to spend their hard-earned income on more than just the bare essentials: food (currently not taxed), proactive health and hygiene care, clothes, vehicles and entertainment. A more balanced tax structure would allow New Mexicans to have some breathing room and afford goods and services over and above their basic living expenses. Those who want to finish a home renovation or take a much-needed vacation could finally do so. They could have more take-home income to meet unanticipated medical bills and rising utility costs or interest on loans. They could have money available for essential home appliance replacements.

Federal legislation, such as the Inflation Reduction Act of 2022, and tax rebates will help New Mexico transition to and invest in a healthier environment. An improved, broad-based, lower personal income tax structure would be the foundation to support a robust economy and would provide all of us the opportunity to pay our fair share. Then government services could be provided more efficiently, and we would all have the financial capacity to move forward toward a more modern and sustainable economy.

The end goal should be a strategic plan to minimize the impact on taxpayers whose income puts them at a tax bracket cutoff. Taxpayers must have a take-home income that benefits our economy and our state's economic future, but most importantly, our fellow New Mexicans. We are resilient, and we are all in this together.