

Increase the Working Families Tax Credit

Current Law

- The working families tax credit is a refundable personal income tax credit equal to 8% of the federal earned income tax credit (EITC).
- In 2008, the maximum amount of working families tax credit for workers with two or more children is \$386; for a worker with one child is \$233; and for childless workers is \$35.
- Over 200,000 New Mexico families will claim the working families tax credit in 2008
- Nearly 160,000 of these working families have children and will receive over \$30 million in credits.
- Over 40,000 workers without children will receive nearly \$1 million in credits.

Proposal

- Increase the working families tax credit by 25 percent, beginning for tax year 2008 (personal income tax returns filed in 2009).
 - The percentage of the federal EITC would be raised from 8 percent to 10 percent, making all credit amounts 25 percent higher than under current law.
- The maximum amount of the credit would increase by \$96 to \$482 for workers with two or more children, by \$59 to \$292 for workers with one child, and by \$9 to \$44 for childless workers.
- All of the more than 200,000 working families currently receiving the credit would receive a 25 percent higher credit.

Fiscal Impact

Estimated Revenue Impact*						Fund(s) Affected
FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 09-13	
(7,600)	(7,800)	(8,000)	(8,300)	(8,500)	(40,200)	General Fund

* In thousands of dollars. Parentheses () indicate a revenue loss.

Distributional Impact

The distributional impact of the increase in the working families tax credit in 2008 is shown in the following table.

Distribution of the Increase in the Working Families Tax Credit

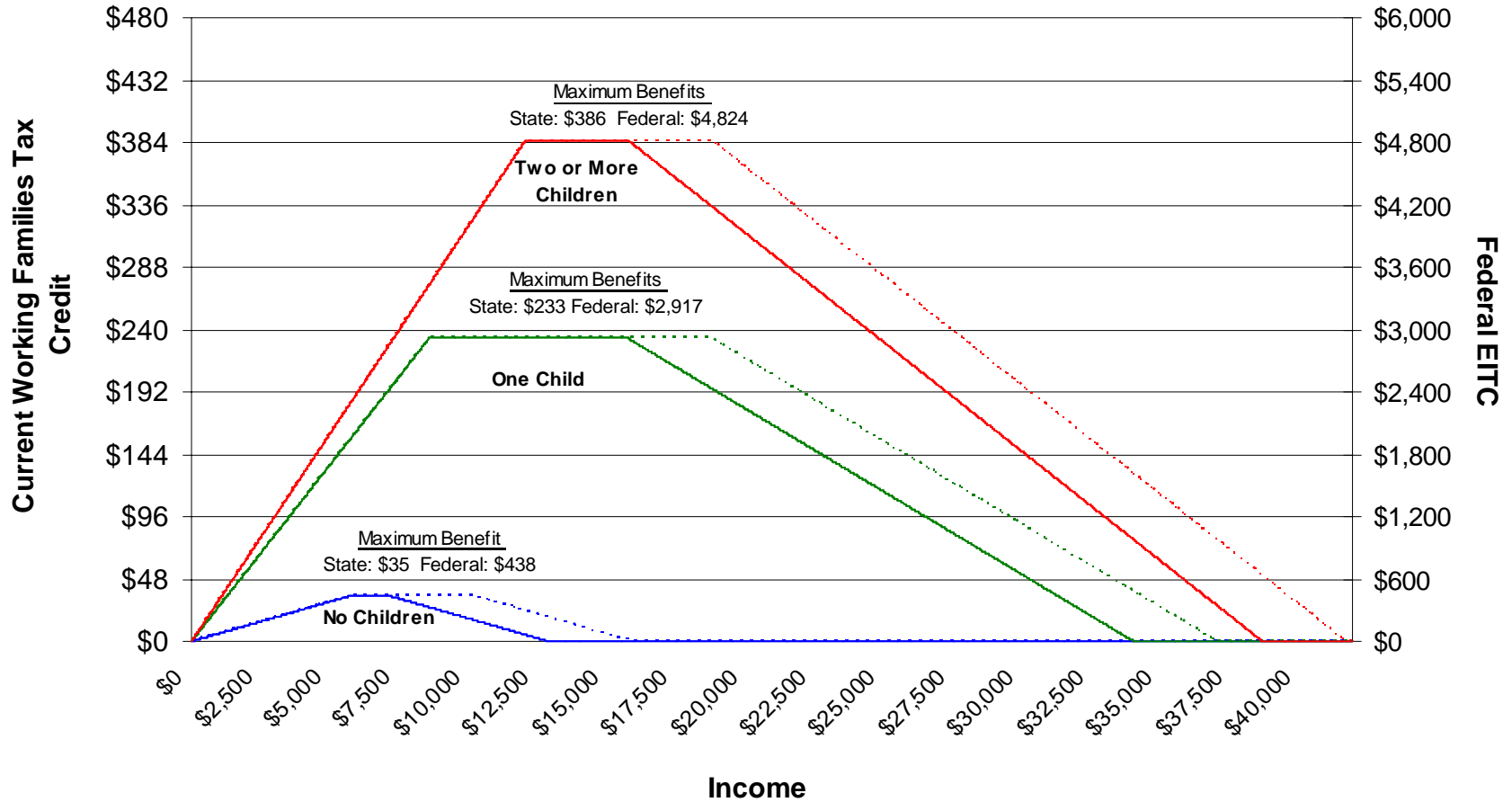
AGI	Number of Returns (000)	Total Benefits (\$ millions)	Average Benefit (\$)
<i>All Credit Recipients</i>			
Under \$10,000	72.1	\$1.75	\$24
\$10,000 - \$20,000	65.7	\$3.87	\$59
\$20,000 - \$30,000	46.0	\$1.75	\$38
\$30,000 - \$50,000	16.5	\$0.22	\$13
\$50,000 and over	-	-	-
Total	200.3	\$7.60	\$38

Taxation and Revenue Department

July 16, 2008

Office of Tax Analysis, Research and Statistics

Current Working Families Tax Credit and Federal Earned Income Tax Credit in 2008



Note: The phaseouts for married couples are indicated by dashed lines.