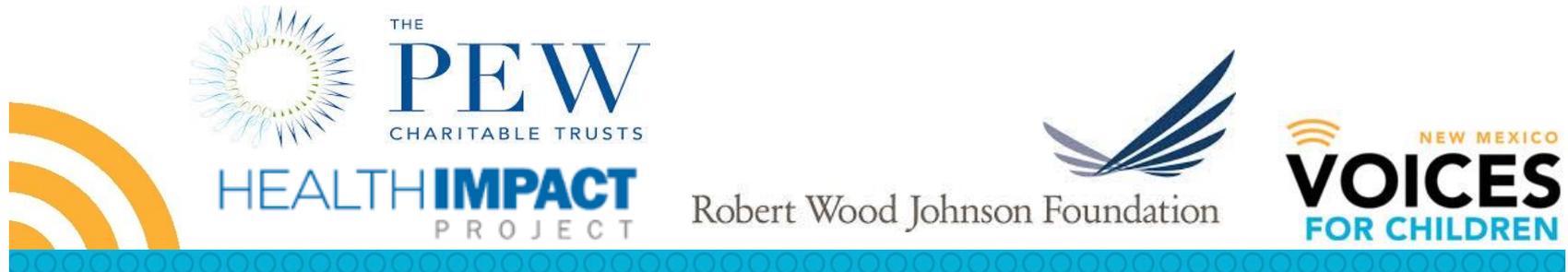


Poverty, Food Insecurity, and Tax Policy in New Mexico

Presented to the
Revenue Stabilization and Tax Policy Committee
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Amber Wallin, KIDS COUNT Director

Bill Jordan, Senior Policy Advisor/Governmental Relations



Today's presentation:

- Food tax HIA
- Family economic and food insecurity data and research
- Tax policy recommendations



What is a health impact assessment (HIA)?

*“A combination of **procedures, methods and tools** that **systematically judges** the potential, and sometimes unintended, **effects of a policy, plan, or project on the health of a population** and the distribution of those effects within the population. HIA identifies **appropriate actions to manage those effects.**” —*

National Research Council

Food Tax HIA Advisory Council

Out of State:

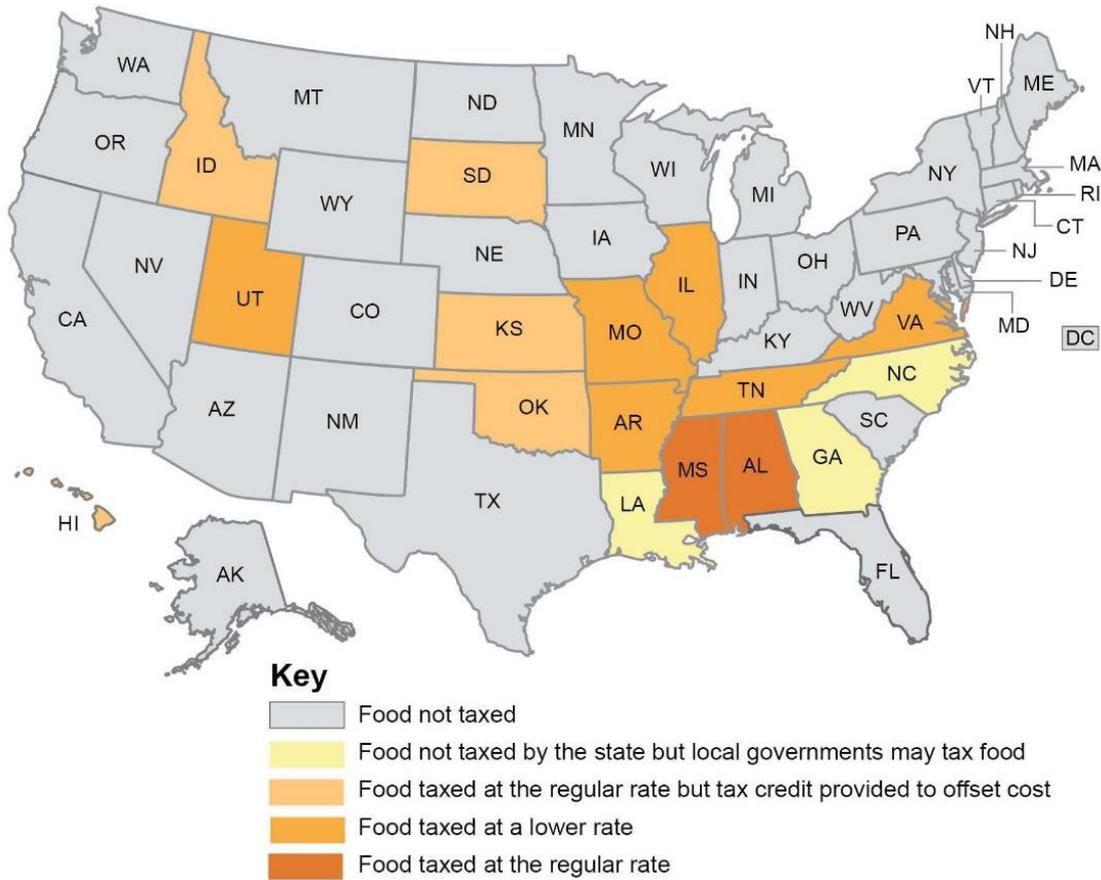
- Pew Research Center
- Upstream Public Health
- Green Health Consulting

In State:

- Albuquerque Area Southwest Tribal Epidemiology Center
- Bernalillo County Place Matters
- Center for Civic Policy
- CHI St. Joseph's Children
- Farm to Table
- Healthy Places Consulting
- Lutheran Advocacy Ministry
- National Center for Frontier Communities
- NM Alliance of Health Councils
- NM Asian Family Center
- NM Department of Health, Public Health Division
- NM Food and Agriculture Policy Council
- NM Highlands University, School of Social Work
- NM Public Health Association
- Notah Begay III Foundation
- Motiva Corporation
- Roadrunner Food Bank
- Southwest NM Food Policy Council
- SouthWest Organizing Project
- Think New Mexico
- UNM Department of Health; Health Education Program
- UNM Department of Individual, Family, and Community Education: Nutrition/Dietetics Program
- United Way of Central New Mexico

Most states do not tax food

State Food Tax Rates and Exemptions (2015)

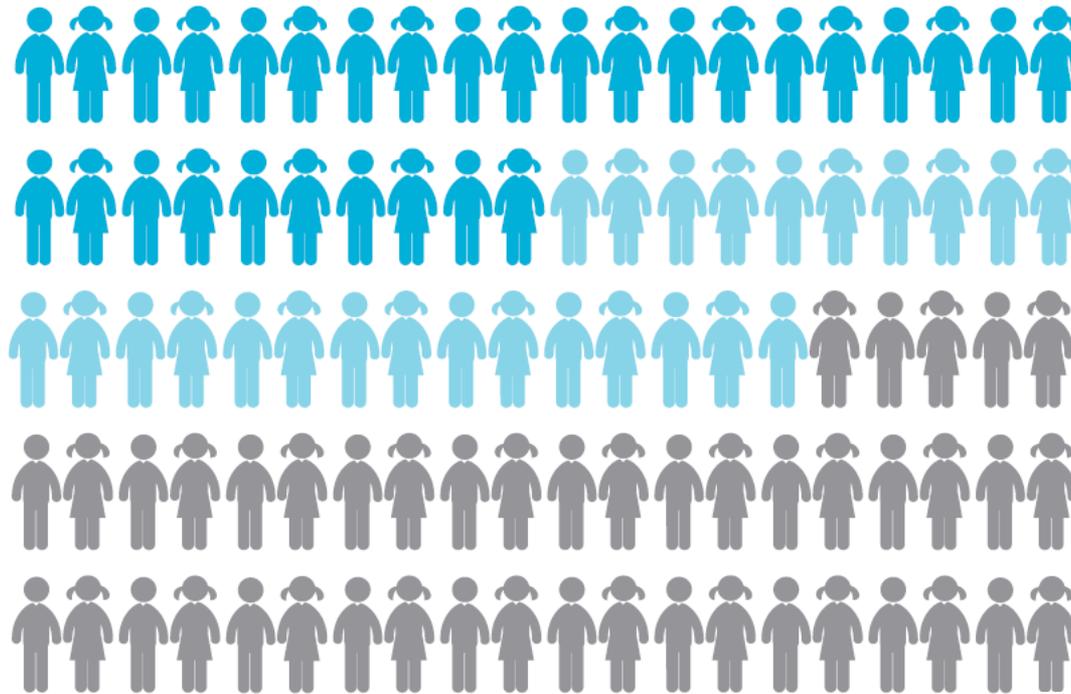


Source: "State Sales Tax Rates and Food and Drug Exemptions," Federation of Tax Administrators, Jan. 1, 2015

We now have the highest rate of child poverty

30% of our children live at or below the poverty level*

Another 25% are low income (between 100 and 200% of poverty)**

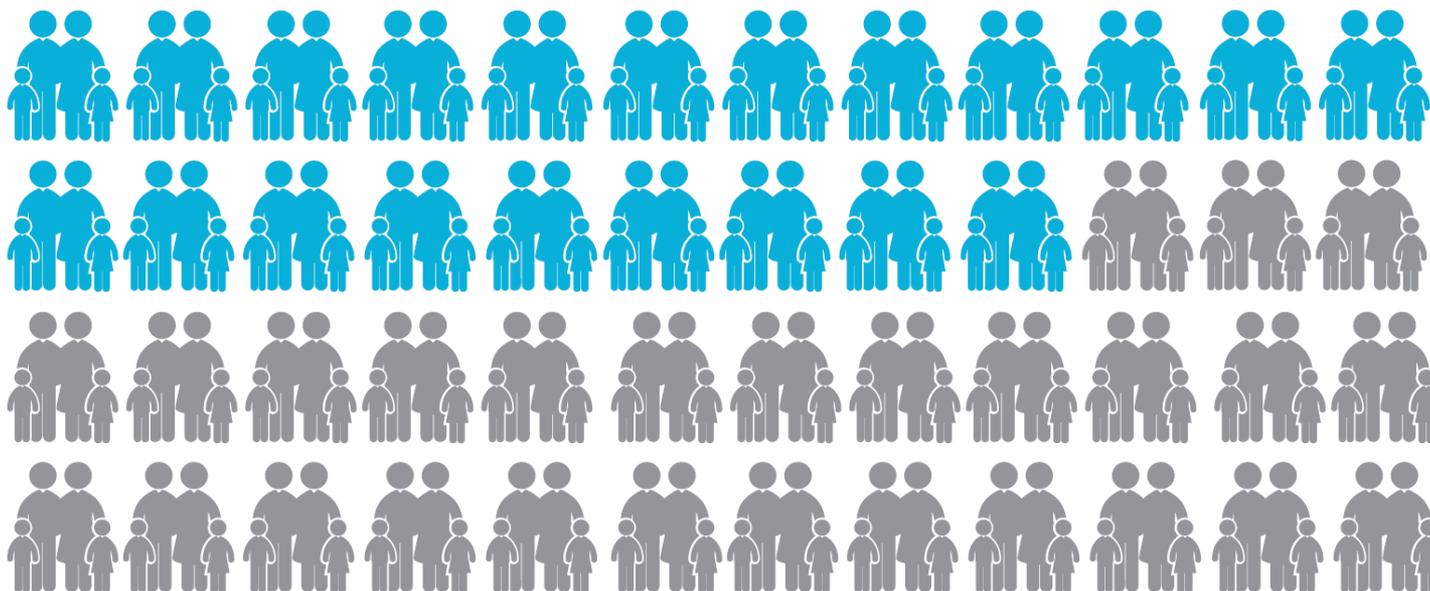


Sources: U.S. Census Bureau, American Community Survey, 2014

*\$19,790 for a family of three
**\$39,580 for a family of three

We have the 2nd highest rate of working families who are low income

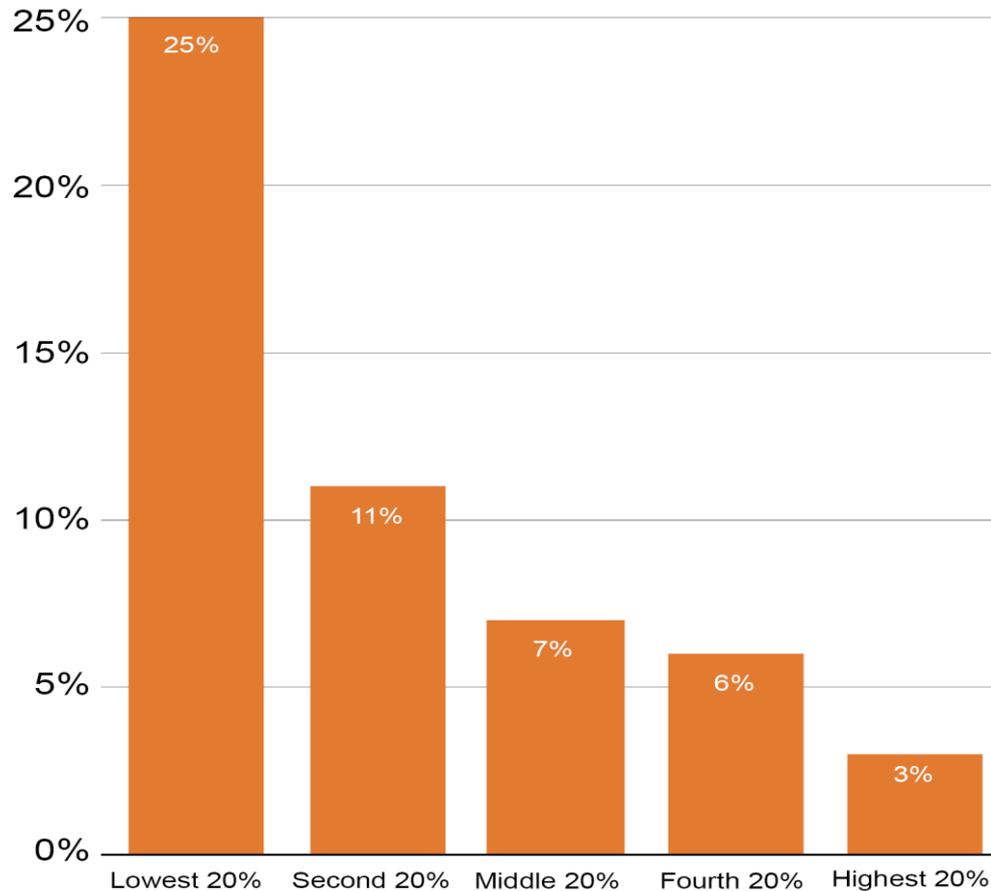
42% of our working families are low income
and 67% of jobs in NM pay low wages



Source: Working Poor Families Project calculations of 2013
U.S. Census American Community Survey data

The lower your income, the higher the share that is spent on food

Percent of income spent on food by income quintile (2013)



Despite school meal programs, SNAP, and food banks many kids still don't get enough to eat

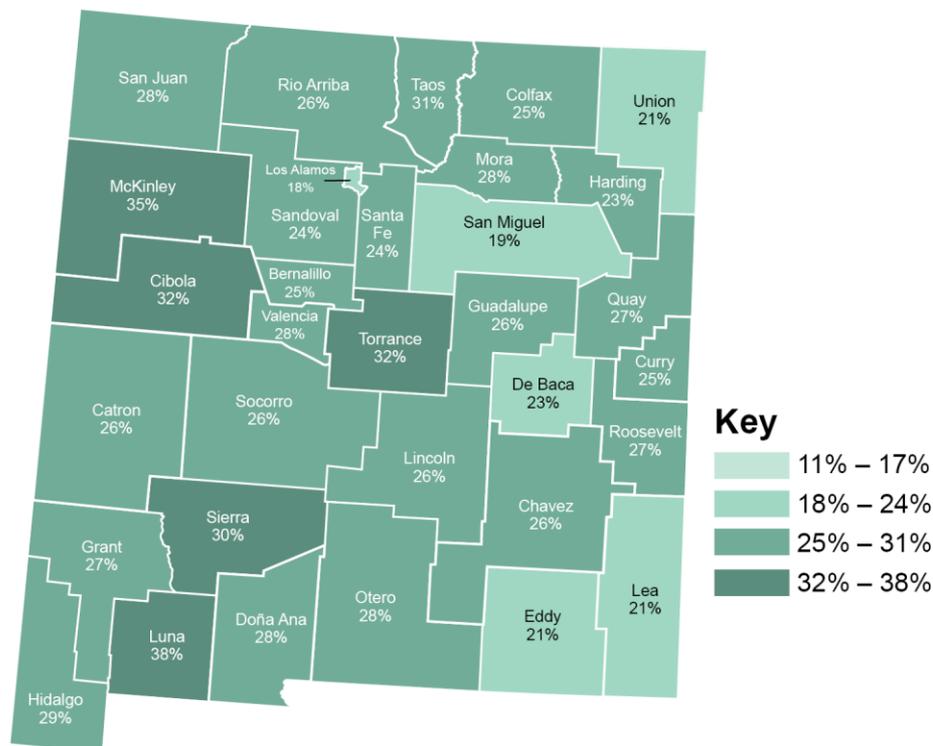
28% of New Mexico's children are food insecure

3rd highest rate in the nation

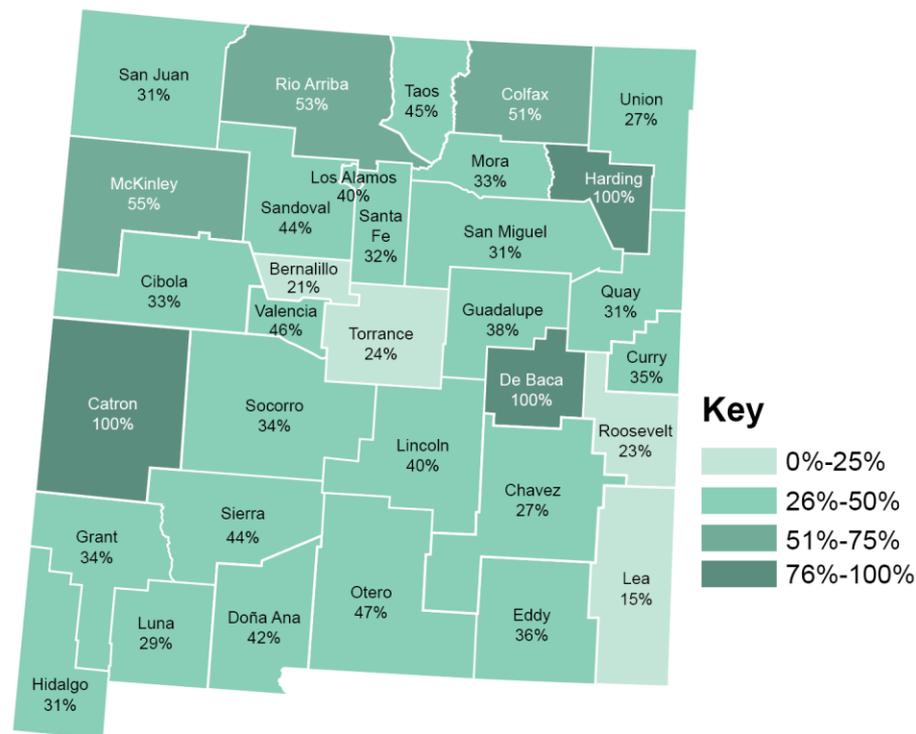


Food insecurity and access are major issues

Percentage of children who are food insecure (2013)



Percentage of the population with low access* to a grocery store (2010)



*Food access indicators for census tracts use ½-mile and 1-mile demarcations to the nearest supermarket for urban areas, 10-mile and 20-mile demarcations to the nearest supermarket for rural areas.

Sources: *Map the Meal Gap 2015*, Feeding America (child food insecurity); “Food Access Research Atlas Data File,” U.S. Dept. of Agriculture, Economic Research Service, released August 2015 (food access)

SNAP benefits are not adequate to address food insecurity



80% of SNAP benefits are used up within the **first half of the month**

Exhaustion of SNAP benefits at the end of the month **decreases test scores**



Very low-income New Mexicans not receiving SNAP spend **\$215 million** a year on groceries



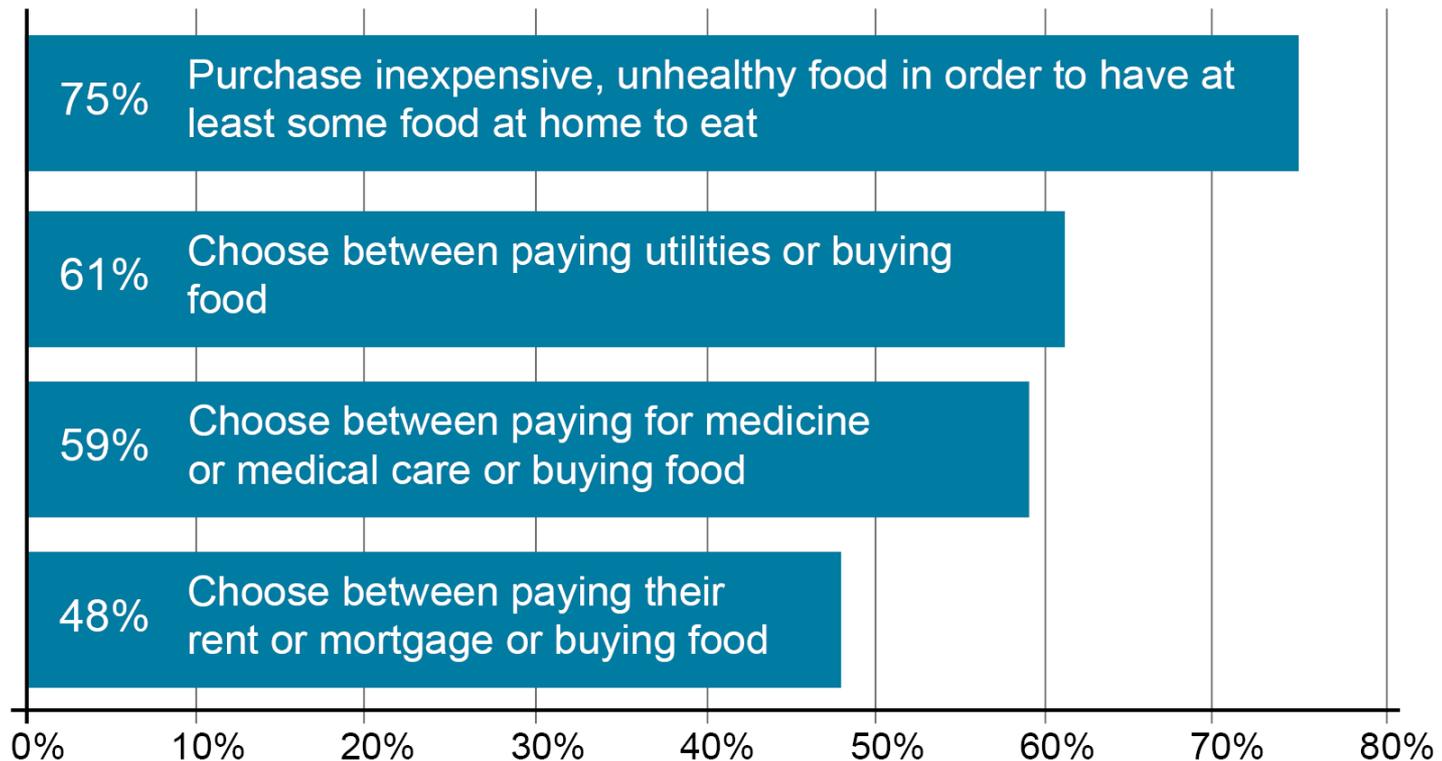
Low-income* New Mexicans miss, on average, **3 meals per week**



*\$31,244 for a family of 3 (185% of FPL)

Economic security impacts food choices

Many food-insecure New Mexicans already make tough choices



Source: NM Association of Food Banks Survey, and Feeding America, Map the Meal Gap, 2014

Literature Review Highlights

Family Economic Security and Health

- Low-income groups suffer from lower emotional, mental, and physical health, have significantly less access to medical care, and are more likely to be diagnosed with chronic conditions.
- Lower socio-economic status associated with a variety of health, cognitive, and emotional risk factors and negative health outcomes in children that have long-lasting impacts.

Food Purchases, Diet, Nutrition and Health

- Price elasticity research shows that the cost of food impacts food choices: if costs go up, purchases go down, and vice versa; specific research points to decreased spending on fruits and vegetable purchases in times of economic stress.
- Food insecurity linked to nutrition-related chronic conditions, increased hospitalization and health care costs, decreased test scores, and increased developmental risks for kids.

Government Spending and Health

- Governments positively impact health through budget choices, particularly in the areas of preventive care, direct health services, and food assistance programs.
- Spending in other areas also associated with improved health outcomes.

Stakeholder Feedback

*“\$25 doesn't seem like a lot until you don't have a dollar to your name.
Then, it is a small fortune.”*

-Community member, Albuquerque

*“Without a doubt, families will buy cheaper and less nutritious food
if the cost of purchasing food goes up.”*

-B.J. Ciesielski, Executive Director, New Mexico Community Health Worker Association

*“At school, there are times when some of the kids can't focus
because they don't get to eat dinner
because their parents don't have money for food.
They didn't eat well, they don't sleep well,
so they don't even get to school in time to eat breakfast.
Some of these kids don't get to eat at all at home.
They eat at school, but sometimes only once a day.”*

-Community member, McKinley County

Food Tax HIA Findings

- ↑ Tax system regressivity
- ↓ Family economic security
- ↑ Stress & mental health risk factors
- ↑ Food insecurity
- ↑ Nutrition-related chronic conditions
- ↑ Childhood risk factors
- ↑ Need and demand for public & private assistance
- ↑ Government revenues
- ↔ State and local government spending on health
- ↓ *Overall*: Health

NM Voices Goals of Good Tax Policy

Utilize the tax code as one of the tools to help solve NM's most pressing problems

- Reduce poverty
- Reduce hunger
- Improve child well-being
- Improve health outcomes
- Improve our economic/business outlook

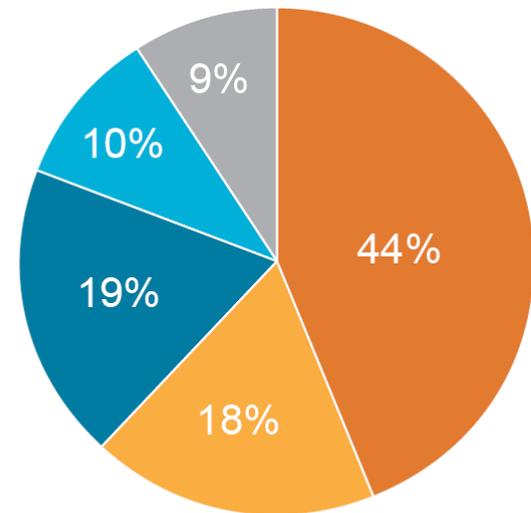
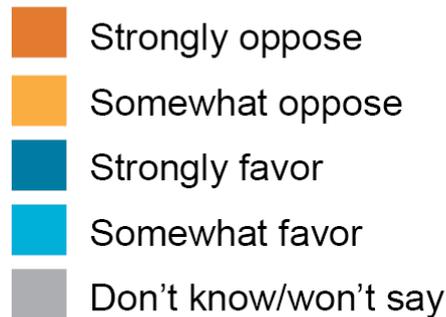
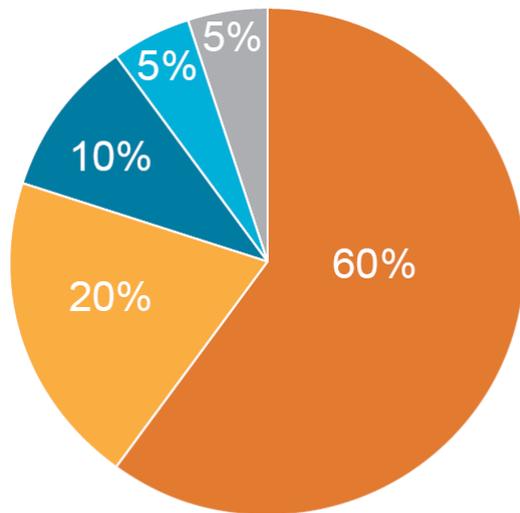
Tax Policy Recommendations

1. Do *not* tax food.
2. Generate revenue in ways that don't harm health, don't make the tax system even more regressive.
3. Increase state tax credits for low-income families with children:
 - Low-Income Comprehensive Tax Rebate
 - Working Families Tax Credit
 - Create a new state Child Tax Credit

New Mexicans strongly oppose a food tax

Currently, New Mexico does not tax food purchases. Would you favor or oppose applying the sales tax to food?
(If choice) Would you strongly (favor/oppose) that or only somewhat?

Would you favor or oppose taxing food if it was part of a proposal that lowered the sales tax on all other purchases?
(If choice) Would you strongly (favor/oppose) that or only somewhat?



Poll of 602 likely voters • Dec, 4 - 7, 2015 • by Third Eye Strategies

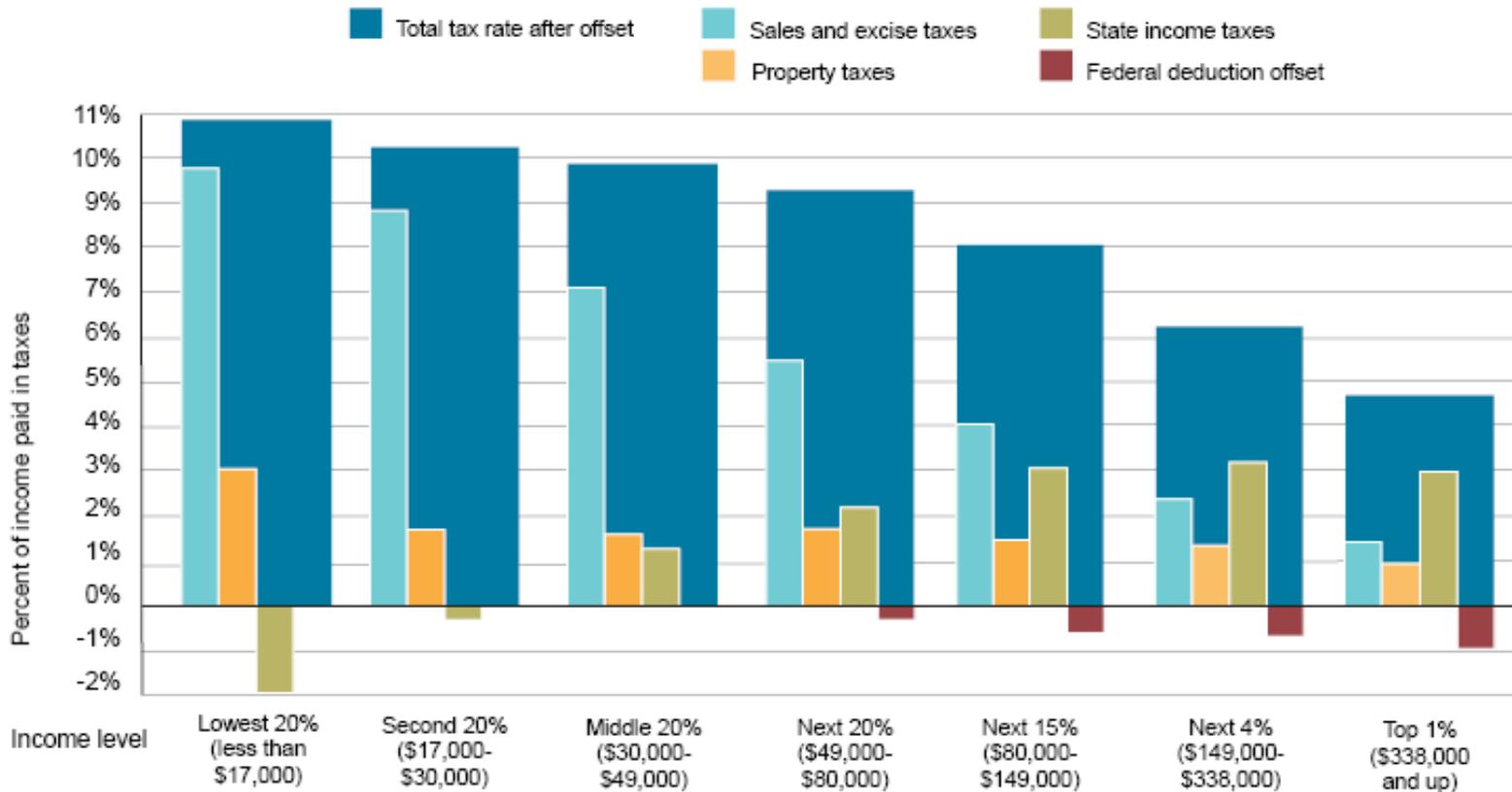
Improve our tax system

Child poverty is a longstanding pervasive issue and we need a set of targeted initiatives to end child poverty

- NM's tax system is grossly unfair to working families.
- 75% of families pay more than **double** what the richest families pay in state and local taxes as a share of their incomes.
- Most tax policy is designed to help business succeed, not kids and families.

Our state and local tax systems ask the most of those who can afford it least

State and local taxes paid as a share of income (2015)



Source: *Who Pays?*, Institute on Taxation and Economic Policy, 2015

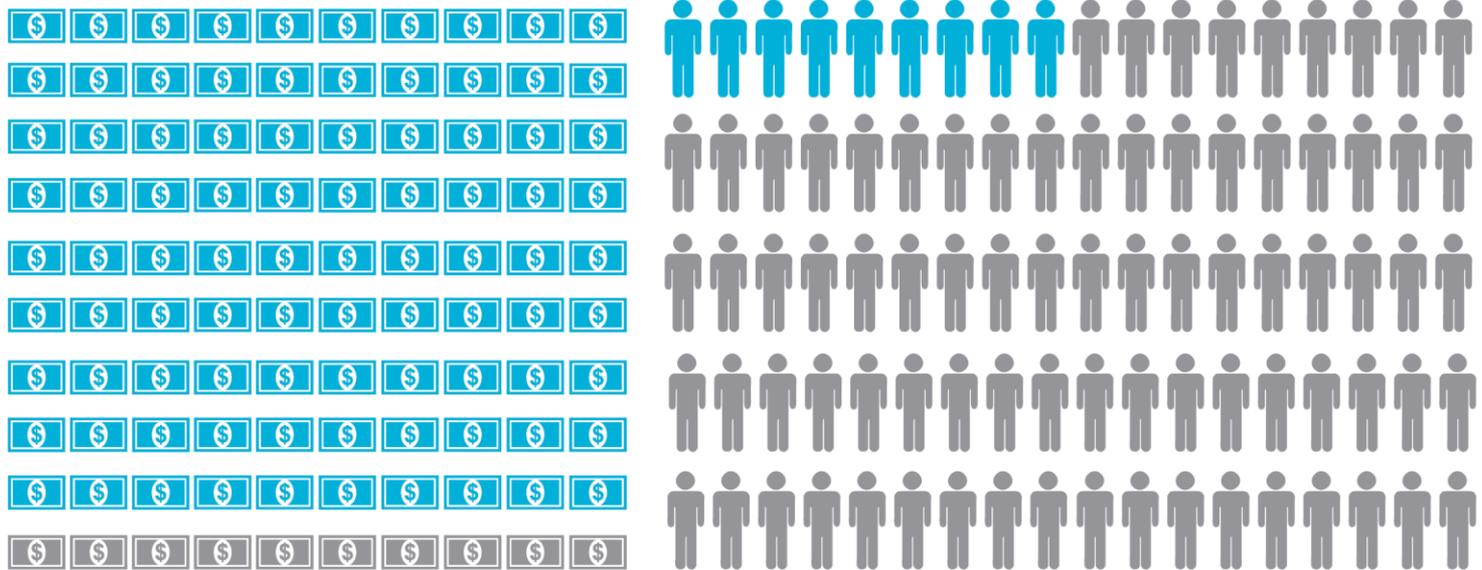
Possible sources of revenue

- Enact combined reporting for all CIT filers
 - Improve the competitiveness of New Mexico businesses by leveling the playing field
- Enact a new top PIT rate of 5.9%
 - Equalize the top PIT and CIT rates
 - Restore some fairness, make the tax system less regressive
- Tax internet sales
- Freeze the 2013 CIT cut for one year
- Repeal the 50% capital gains deduction

Repeal 50% capital gains deduction

- No proven economic development value
- Costs \$50 million
- Capital gains are taxed at half the rate of income earned from working

90% of the benefit goes to **10%** of the filers



Source:
*Statistics of
Income,*
IRS, 2011

The Earned Income Tax Credit & NM's Working Families Tax Credit

- EITC injects \$500 million into NM economy.
- NM's Working Families Tax Credit returns \$50 million to working families.
- 97% goes to working families with kids.
- Without these 2 credits, 40,000 *more* NM families would be in poverty.

“The best anti-poverty, the best pro-family, the best job creation measure to come out of Congress.”

- Ronald Reagan on the EITC

Low Income Comprehensive Tax Rebate

- Intended to counteract the regressivity of the gross receipts tax
- Current value is \$21 million
- 250,000 claimants in 2013
- Claims vary from \$10 to \$450
- Average claim = \$84
- Last updated in 1998

Create a new Child Tax Credit

- Federal CTC brings \$200 million to NM families with children.
- Lifts 3.1 million nationwide out of poverty, most of them children.
- Associated with better health, education, and earning outcomes.

Accountability is essential

Enact a tax expenditure budget

- Allows for better evaluation of tax policies against accepted principles, including those adopted by the LFC.
- Builds greater transparency and accountability into our tax system.
- Tax breaks should sunset and be evaluated for performance before being renewed.
- Tax breaks should be linked to job creation performance.

LFC Tax Policy Principles

- 1 **Adequacy:** Revenue should be adequate to fund needed government services.
- 2 **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3 **Equity:** Different taxpayers should be treated fairly.
- 4 **Simplicity:** Collection should be simple and easily understood.
- 5 **Accountability:** Preferences should be easy to monitor and evaluate.