

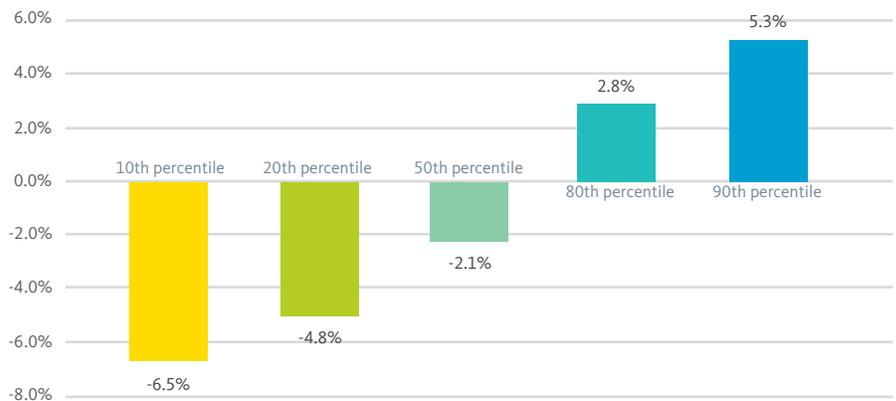
# Ensuring New Mexicans Receive Their Full Tax Refund

Regulating high-cost tax preparation services and credit products helps working families

Income tax credits like the Earned Income Tax Credit (EITC) and Working Families Tax Credit are a proven way for states to reduce income inequality and increase economic security for low- and moderate-income working families. These tax credits reduce families' tax burdens and can provide valuable tax refunds. But a large share of these refunds is being eaten up by predatory and unregulated commercial tax preparers who offer tax refund anticipation loans with alarmingly high interest rates on top of expensive preparation fees. New Mexico policymakers must take steps to increase access to quality, affordable tax preparation services and curtail high-cost services to ensure families can receive their full refunds.

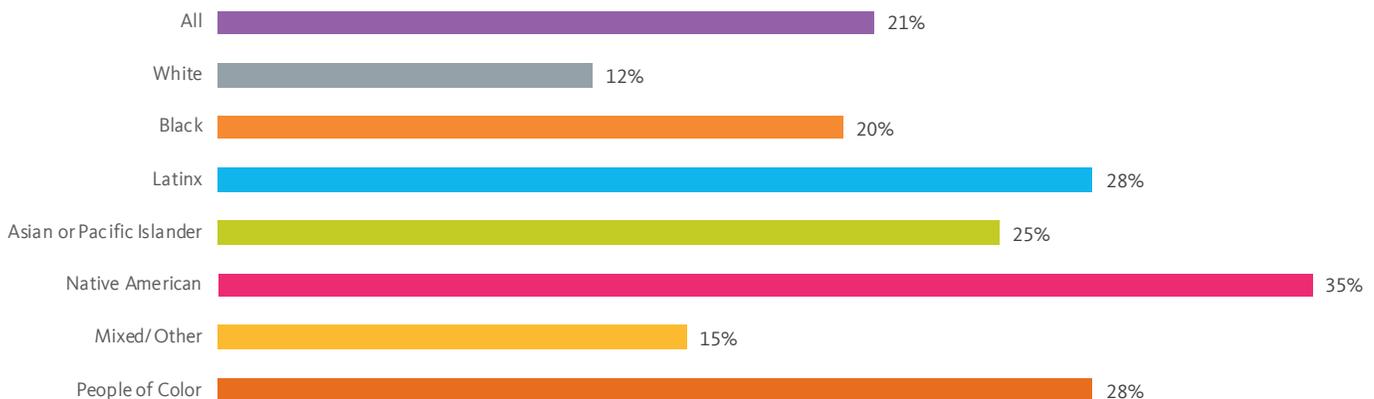
## Income inequality is high and continues to increase in New Mexico.

From 2000 to 2015, New Mexican workers with earnings at the 90th percentile saw their incomes grow by 5.3% while workers with earnings at the 10th percentile saw their incomes decrease by 6.5%.



## Native American workers and workers of color disproportionately work in jobs that don't pay enough to make ends meet, and EITC can help.

Share of full-time workers who live below 200% of the federal poverty line, New Mexico, 2015

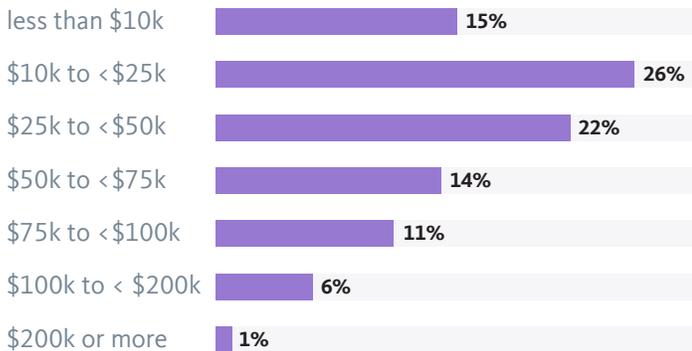


New Mexico has the **third highest level of working poverty** for full-time workers in the country, behind only Mississippi and Arkansas.

In 2015, nearly a quarter of New Mexican tax filers were eligible for the EITC and they were **disproportionately people of color.**

## Tax refund loans\* that contain hidden fees and high interest rates reduce tax refunds, particularly for filers with lower incomes.

### Share of filers using refund anticipation products by income\*\*: New Mexico, 2016



In 2017, New Mexico-licensed small-loan lenders issued 27,543 refund anticipation loans with an APR greater than 175%, collecting nearly **\$5 million in interest and fees.**

## Expensive and unregulated tax preparation services prevent New Mexican families from receiving their full tax refunds.

# \$32-54 million

Without commercial tax return preparation fees, New Mexican households that claimed the EITC would have seen an extra \$32-54 million in 2015.\*\*\*

# \$436 per return

An average savings of \$436 per return would help households with additional funds to spend on household needs or save for the future.

### To ensure that hard-working families can access the tax credits they earn, legislators need to take action:

- 1) Improve** access to high-quality, affordable, or free tax preparation services such as the Tax Help New Mexico Program.
- 2) Expand** eligibility for valuable tax credits such as the Working Families Tax Credit and Earned Income Tax Credit to cover more households and individuals.
- 3) Enforce** policies that protect low-income New Mexicans from predatory lending and credit products.

\*Tax time credit products refer to short-term loans taken out against an expected tax refund. These products include refund anticipation checks and refund anticipation loans. \*\*Income is defined as adjusted gross income. \*\*\*Commercial tax preparation fee estimated using findings from The Price of Paying Taxes II by the Progressive Policy Institute (<https://www.progressivepolicy.org/wp-content/uploads/2016/04/2016.04-Weinstein-Patten-The-Price-of-Paying-Taxes-II.pdf>).

Data analysis from the [National Equity Atlas](#), a partnership between PolicyLink and the University of Southern California Program for Environmental and Regional Equity (PERE). **Sources:** National Equity Atlas, IRS Statistics of Income, Tax Policy Center, Brookings Institute, and NM Regulation and Licensing Department, Financial Institutions Division.

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