



The Power of Relationship Building: Lessons from New Mexico's WFTC Expansion

Background

In April 2019, **New Mexico** Governor Michelle Lujan Grisham (D) signed legislation to increase the state's Earned Income Tax Credit (EITC), known as the Working Families Tax Credit (WFTC), from 10 to 17 percent of the federal credit as part of a broader tax package. According to **New Mexico Voices for Children** (NM Voices), the expansion will benefit more than 210,000 filers throughout the state, 68 percent of whom are people of color and more than 97 percent of whom are households with children.

New Mexico enacted the WFTC in 2007 and increased the credit's value from 8 to 10 percent in 2008. However, the credit's value remained significantly below the national average of 17.6 percent for state credits. Advocates found this troubling in a state with one of the highest child poverty rates (30 percent) and income poverty rates (18.3 percent) in the country, according to the Annie E. Casey

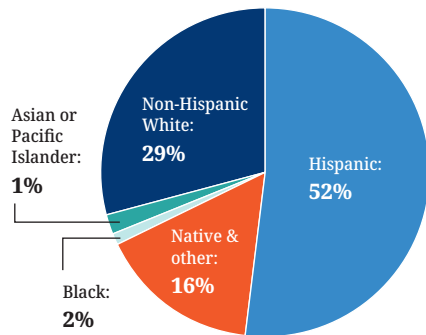
Foundation's KIDS COUNT data book and Prosperity Now's 2019 Scorecard.

Advocates had tried to expand the WFTC since 2008. However, after the state's general fund was depleted during the Great Recession, there were no resources to allocate to an expansion. Though advocates tried to stress that the credit would spur economic growth for the state by putting more money in workers' pockets, legislators stood firm. The credit continued to enjoy bipartisan support in the legislature, but expansion campaigns failed over the years because of budget constraints and competing priorities.

Eventually, New Mexico's state revenues rebounded due to new drilling techniques in the state's oil industry in recent years, leading to the first budget surplus in almost a decade. The surplus, coupled with a "blue wave" in the legislature following the 2018 election, led to a new window of opportunity for a successful WFTC expansion campaign.

In New Mexico, racial and ethnic minorities benefit most from the credits

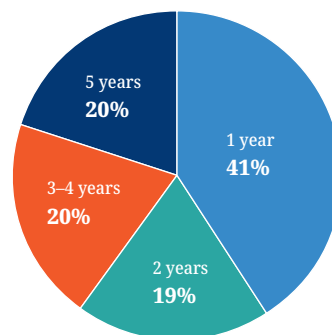
EITC/WFTC filers by race and ethnicity (2014)



Source: NM Voices analysis of Metro Tax Model data for the 2014 tax year provided by the Brookings Institute

Most filers claim the credits for just one or two years

EITC/WFTC filers by length of time credit is claimed (2012)



Source: NM Voices analysis of 2012 Internal Revenue Service income tax data provided by the Brookings Institute

Campaign Structure and Strategy

Advocates credit their WFTC victory to their groundwork building partnerships with legislators, the governor’s office, and community organizations throughout the years. Led by NM Voices, the coalition included policy organizations, immigrant advocacy groups, health organizations, public employee unions, faith-based groups, grassroots community organizations, and more. The coalition’s goal was to double the value of the WFTC from 10% to 20%.

After the revenues increased, advocates shifted their messaging to focus on a public awareness campaign of the credit and its benefits for workers, children, and businesses. Their outreach included fact sheets, reports, traditional and digital media, phone banking, and more than 240,000 mailers.

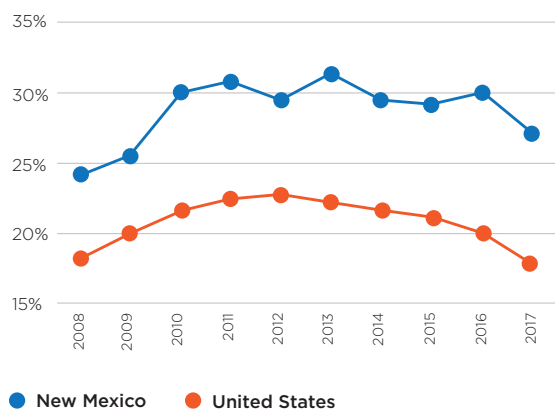
The coalition owes a great deal of their success to champions within the legislature who fought for the expansion during the voting process. NM Voices took time building relationships with lawmakers over several years. However, they laid a great deal of groundwork during the 2018 midterm election cycle to build strong relationships with new legislators. Anticipating a flip in the state legislature and the governor’s office, NM Voices began educating potential candidates about the credit and their larger policy platform. Candidates, including current Gov. Lujan Grisham, expressed interest in the credit and understood why it was a critical policy for the state’s working families. Many of these candidates included the expansion in their policy platforms and went on to be some of the credit’s biggest advocates during the expansion campaign. Three of Gov. Lujan Grisham’s cabinet secretaries testified before the legislature in support of the credit.

In addition to partnership building, research was a critical component of their campaign. NM Voices gathered data and released reports highlighting the benefits of the credit for state residents. Their data, particularly when broken down by state legislative district, became an important tool to show specific legislators how their districts would benefit from the expansion. Their research also helped highlight the WFTC’s connection to important issues in the state like child poverty, racial equity, and health. During the campaign, NM released their annual state-level KIDS COUNT data, which highlights the high rate of child poverty throughout the state. The coalition used this release to position tax policy and the WFTC as a necessary tool to improve outcomes for children. NM Voices also included the credit in a series of blogs on state policies that would promote racial equity throughout the state and worked with multiple organizations to have them include the policy in their advocacy efforts and policy platforms.

Lastly, the campaign worked with community organizers and union organizations to elevate community voices and ensure workers were included in the campaign. The stories of workers and families were critical for humanizing the issue and showing lawmakers and allies why the policy was beneficial to workers in their networks.

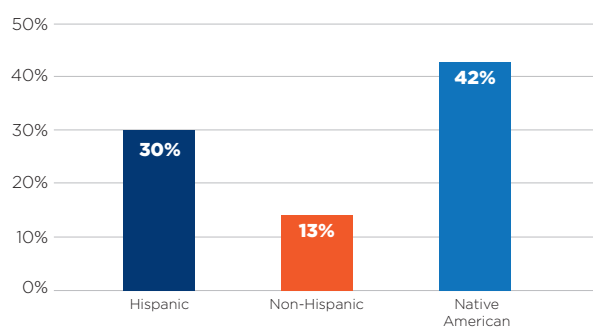
The coalition faced pushback from conservative legislators about potential “fraud” in EITC programs, a concern often echoed by conservative lawmakers at the federal level and in other states. NM Voices worked with the Center on Budget and Policy Priorities to develop messaging to debunk the “fraud” myth and outline why improper payments occur. Eventually, their efforts helped convince legislative staff to remove language around “fraud” from the legislature’s fiscal impact reports.

Children Living in Poverty by Year (2008–2017)



Source: U.S. Census Bureau, American Community Surveys from 2008 to 2017, Table S1701.

Children Living in Poverty by Race and Ethnicity (2017)



Source: U.S. Census Bureau, American Community Survey, 2017, Table C17001.

Note: Estimates for other races and ethnicities suppressed because the confidence interval around the percentage is greater than or equal to 10 percentage points.



Ultimately, thanks to strategic relationship building and research, combined with a window of opportunity, the WFTC expansion was introduced as part of a larger state tax package. However, this made the credit a bargaining chip for lawmakers as they tried to pass the full package. While the coalition originally advocated for the credit to be expanded to 20 percent, lawmakers ultimately agreed to 17 percent after negotiations.

Key Messages Used

- Expanding the WFTC will improve outcomes for New Mexico children. New Mexico ranked last in child well-being in the national 2018 KIDS COUNT data book. The WFTC puts more money in children's households and leads to better life outcomes, such as higher graduation rates and increased rates of employment.
- The WFTC benefits the local economy and helps businesses. The WFTC puts more money in the pockets of workers, which gets spent quickly and locally and helps workers afford things like childcare and transportation. By promoting work and job stability, local NM businesses will benefit as well.
- The WFTC promotes equity across New Mexico. State refundable tax credits are policies that help promote equity within the tax code. Low-income households of color pay a larger share of their income in taxes than wealthier families. A WFTC expansion is one way to promote equity in the tax code and address racial inequities.
- The WFTC improves health outcomes. There is a growing body of research connecting state EITCs to improved health outcomes across a person's life. By boosting income, workers experience less stress, better nutrition, engage in less risky behaviors and have greater access to medical care, which all lead to better health outcomes, according to the Trust for America's Health.
- EITC fraud is a myth. Research has shown that EITC overpayment claims have been overstated. The ones that occur are generally mistakes due to the complexity of the eligibility and filing rules, not because of fraud.

Looking Ahead

The 2019 expansion was a step in the right direction for working families in New Mexico. However, advocates are committed to increasing the value of the credit to 20 percent in the next legislative session.

Advocates have also expressed interest in decoupling the state's eligibility requirements from the federal credit to make the credit more inclusive and beneficial. Specifically, advocates want to increase the credit for filers with young children and expand accessibility to filers using Individual Taxpayer Identification Numbers (ITINs) and younger workers, two groups that are currently left out of the WFTC.

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