

# OPINION

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## EDITORIAL

# The clock is ticking; Social Security tax needs to be repealed

Back in 1983, the powers that were Congress decided they needed to start taxing Social Security benefits. As wrong-headed as that was, the U.S. House and Senate agreed not to tax Social Security benefits for Americans with incomes below \$25,000, or \$32,000 if married.

Fast forward nearly 40 years. Those federal taxation thresholds haven't changed, even as benefits have grown and become increasingly subject to income taxes.

What did change was 18 states — including New Mexico — jumping on the Social Security taxing bandwagon. New Mexico lawmakers buried a single-line provision on the last page of a tax bill in the waning hours of the 1990 legislative session that triggered the state's personal income tax on Social Security benefits.

There was no public comment then, but we sure have heard from seniors since then about the double-taxation of their benefits — money recipients already paid state and federal taxes on when they earned it.

Fortunately, more and more states are coming to their senses. Six of those 18 states have pulled back the tax completely, according to Think New Mexico, a Santa Fe-based think tank that says fully eliminating the Social Security tax would keep about \$846 a year in the pockets of the average New Mexico senior. North Dakota repealed its Social Security tax last year.

According to Think New Mexico data, Colorado last year started exempting Social Security benefit taxation for everyone over 65. Utah and Vermont exempt anyone with an income under \$45,000 and couples under \$60,000. Montana and Nebraska are phasing in an exemption of 50 percent of Social Security income.

"The movement is toward reducing and repealing," says Think New Mexico executive director Fred Nathan.

Of the 12 states that tax Social Security benefits, New Mexico has the second harshest taxes, according to the AARP, and is among the last states to tax Social Security benefits to the fullest extent allowable under federal law.

It's little wonder then that our neighboring states have made great strides attracting retirees and senior citizens, who spend much of their retirement incomes in-state.

The 2020 Census showed more people are leaving New Mexico than moving here. Eliminating the Social Security tax could help alter that trend. As it is, taxing Social Security remains a deterrent — to both those who retire in our state and retirees who consider moving here — to making New Mexico their forever home.

After 30 years of unfair taxation, state lawmakers are inching toward a full repeal.

House Bill 48 cleared the House Labor, Veterans and Military Affairs Committee Tuesday by a 5-4 vote. Senate Bill 108, which has the governor's specific backing, is scheduled to be heard Thursday afternoon by the Senate Tax, Business and Transportation Committee. Both bills would scrap the state's taxation of Social Security benefits.

Fully repealing the Social Security tax would cost the state an estimated \$118.1 million in annual revenue in the next fiscal year. That lost revenue amounts to about 1.4% of next year's record proposed \$8.4 billion budget.

"This is the perfect year to do it because of the revenue-generating capacity we have right now," says state Sen. Michael Padilla, D-Albuquerque, sponsor of SB 108. "The bottom line is folks are living longer. Their income has to be stretched not for five or 10 years but often for 30 years."

More than 52,000 New Mexico seniors with incomes of less than \$50,000 paid tax on their Social Security benefits in 2018, according to AARP New Mexico. Social Security is the only source of a stable and guaranteed retirement income for many of them, who are increasingly using their fixed income to care for not only their children, but also their grandchildren.

New Mexico has the financial means to repeal the tax. And with the governor's backing, we hope there is now the political will.

Lawmakers have just two weeks to get it through both chambers, and to better position New Mexico as a retirement mecca — boosting the state's population, stimulating the economy and raising GRT and other revenues.

We hope they finally do the right thing and get it done — for New Mexico residents 65 and older and for the well-being of the state overall.