



MERCATUS CENTER
George Mason University

POLICY SPOTLIGHT

Reversing New Mexico's Outmigration

Tax, housing, and labor reforms to grow the state

JACK SALMON | OCTOBER 2026

Americans made nearly 34 million interstate moves between 2018 and 2023, redistributing population, income, and economic activity among the states. New Mexico ranked 29th in net interstate migration, losing 4,115 residents and \$393 million in income.¹ Research suggests taxes, economic freedom, and housing supply are key factors behind the state's migration outcomes. New Mexico faces competitive pressure on those fronts with its high tax burden, barriers to flexible work, and restrictive housing policies.

Tax Policy Reforms

The competitive landscape

While its neighbors have been cutting taxes or adopting low-rate flat tax systems, New Mexico has been raising taxes. Lower tax burdens are a pull factor for interstate movers, particularly those leaving high-tax states.

Arizona	Reduced top income tax rate from 4.54% in 2018 to a 2.5% flat tax in 2023. Corporate rate of 4.9%.
Colorado	Flat income tax rate of 4.4%. Corporate tax rate of 4.4%.
New Mexico	Top individual income tax rate of 5.9% across five brackets. Replaced its graduated corporate tax with a flat 5.9% rate.

This matters because New Mexico's legislature has continued to embrace a pro-tax approach even as competing states cut rates to attract residents and capital; reversing that trajectory would send a clear signal that the state is serious about competing for both workers and employers.

Recommended reforms

- **Adopt a 4.4% flat tax** to help New Mexico remain competitive with states such as Colorado.
- **Lower the corporate tax burden** to Arizona's 4.9%; no Southwestern state has a rate above 5%.

¹ See Jack Salmon, "Interstate Migration Trends in the United States, 2018–2023: Where Are Americans Moving, and Why?" (Mercatus Policy Brief, Mercatus Center at George Mason University, July 2026). For the full analysis including sources, scan the QR code on the next page.

- **Replace the gross receipts tax with a broad-based sales tax** to avoid cascading taxes on business inputs and production.
- **End the throwback rule**, which taxes local companies on out-of-state sales that other states cannot tax.

Housing Policy Reforms

The supply gap

New Mexico issues about 4 housing permits per 1,000 residents annually—about half the rate of Texas and Arizona. Tight supply raises housing costs, reduces affordability for incoming residents and workers, and diminishes New Mexico’s attractiveness relative to peer states. The barriers are not primarily financial but regulatory. Slow permitting processes impose costs on developers that further raise the cost of final housing products. New Mexico is also the only state in the region that has not enacted a major pro-supply housing reform, leaving it farther behind neighboring states on affordability.

Recommended reforms

- **Reduce minimum lot size requirements.** Following recent reforms in states such as Texas, Maine, and Kansas, New Mexico could allow smaller, lower-cost homes while easing pressure for outward sprawl.
- **Create a permanent Division of Housing within a state agency.** In states such as Colorado, such agencies track data, support local governments, and facilitate reforms that increase housing production.
- **Modernize zoning and subdivision statutes** to allow innovative permitting practices, following reforms in North Carolina, Wisconsin, and Texas. Update Sections 3-20-8, 3-21-6, 3-21-5, and 3-21-11, which govern subdivision approvals, zoning hearings and public notice, zoning conformance with the Comprehensive Plan, and conflicts between zoning and other regulations and ordinances.

Labor Market Freedom Reforms

The licensing burden and the portable benefits gap

Licensing: New Mexico licenses 66 of 102 lower-income occupations studied, compared with 38 in Texas and 34 in Colorado. The average licensed occupation requires 495 days of education and experience. The state has 156 barriers and 125 license requirements, according to the Archbridge Institute.

Portable benefits: Nearly 150,000 New Mexicans work independently, but companies risk legal liability when providing them benefits. Nationally, 80.3% of self-employed workers want to remain independent, while 80.1% want access to portable benefits.

Recommended reforms

- **Review all licensing requirements.** Prioritize occupations where New Mexico’s barriers substantially exceed those of neighboring states.
- **Enact portable benefits legislation.** Allow workers to create portable benefits accounts while enabling firms to contribute without triggering worker reclassification rules.
- **Enact right-to-work protections.** This would protect freedom of association and improve New Mexico’s attractiveness for business investment and job creation.



For more information or to meet with the scholar, contact
Mercatus Outreach, 703-993-4930, dschroeder@mercatus.gmu.edu or mercatusoutreach@mercatus.gmu.edu
Mercatus Center at George Mason University, 3434 Washington Blvd., 4th Floor, Arlington, Virginia 22201

The ideas presented in this document do not represent official positions of the Mercatus Center or George Mason University.