

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: HB 633

48th Legislature, 2nd Session, 2008

Short Title: Expert Volunteers for Schools Tax Credit

Sponsor(s): Representative Janice E. Arnold-Jones and Others

Analyst: Frances R. Maestas

Date: February 1, 2008

Bill Summary:

HB 633 appropriates funds and creates the “New Mexico 2012 project” at New Mexico State University (NMSU) to provide for “New Mexico 2012 volunteers” to teach mathematics and science subjects in the public schools or mentor public school teachers and to receive a “New Mexico 2012 volunteer tax credit.”

HB 633 adds a new section to the *Income Tax Act* to establish a “New Mexico 2012 volunteer tax credit,” for tax years 2008 through 2012, that allows an approved volunteer to receive a maximum \$500 tax credit over a five-year period based on a \$100 tax credit for each 10-hour block of volunteer time each tax year.

Fiscal Impact:

\$240,000 in reverting funds is appropriated from the General Fund to the NMSU Board of Regents for expenditure in FY 08 through FY 09 as follows:

- \$100,000 to reimburse volunteers for travel and per diem expenses;
- \$80,000 to provide annual awards of \$1.0 thousand to each public school that participates in the “New Mexico 2012 project;” and
- \$60,000 to NMSU for technical and administrative support.

As of February 2, 2008, a Taxation and Revenue Department bill analysis and a Legislative Finance Committee fiscal impact report were unavailable.

Assuming that one volunteer is approved to provide instruction in each of New Mexico’s 818 schools and that mentoring is being provided to at least half of New Mexico’s 22,000 public school teachers on a ratio of one volunteer to every 10 teachers, the revenue impact to the General Fund would be approximately \$191,800 each tax year. Over a five-year period, the revenue impact would be approximately \$959,000:

\$100 tax credit a year X one volunteer in 818 schools	=	\$ 81,800
\$100 tax credit a year X mentoring to 11,000 teachers based on 1:10 ratio	=	<u>\$ 110,000</u>
Annual revenue impact		\$ 191,800
Five-year revenue impact		\$ 959,000

According to the Higher Education Department (HED) bill analysis, NMSU did not submit a request to the department for review for this initiative and it is not included in HED's funding recommendations for FY 09.

Issues:

- A review of the federal Internal Revenue Service (IRS) Publication 526, Charitable Contributions (for use in preparing 2007 returns) indicates that the "value of your time or services" is not a deductible item for federal tax reporting purposes.

The IRS indicates that a **tax credit** provides direct reductions to an individual's tax liability and a **tax deduction** is a reduction in taxable income made prior to the calculation of tax liability, as shown in the following example:

Tax credit - A tax credit reduces your taxes directly. If you earn \$1,000 at a 10% tax rate, you owe \$100 in taxes. A \$100 tax credit would reduce your taxes by \$100 and you would owe nothing.

Tax deduction - A tax deduction reduces your taxable income. In the example above, a \$100 tax deduction would reduce your taxable earnings by \$100; but would reduce your tax liability by only \$10.

- A related bill (HJM 32, *Support for New Mexico Project 2012*) requests the Legislature to express its support of the "New Mexico 2012 project" and PED, the LESC, the Coalition of School Administrators, statewide teacher organizations, and other interested groups to unite "to undertake a creative and effective public relations effort to enable the necessary departures for 'education as usual' to education that will enable young people and the state to realize a rewarding future."

Related Bill:

HJM 32 *Support for New Mexico Project 2012*