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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1st Session, 2023

Bill Number	<u>SB28</u>	Sponsor	<u>Brandt</u>
Tracking Number	<u>.223672.1</u>	Committee Referrals	<u>STBTC/SFC</u>
Short Title	<u>Teacher School Supply Purchase Tax Deduction</u>		
Analyst	<u>Andrews</u>	Original Date	<u>1/20/2023</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

Senate Bill 28 (SB28) creates a new section of the Income Tax Act (Section 7-2 NMSA 1978) to add an income tax deduction for the cost of school supplies purchased by public school teachers. The deduction is limited to \$500 for taxable year 2023 and \$1 thousand for taxable year 2024 and subsequent years. The provisions of SB28 apply to taxable years beginning on or after January 1, 2023.

This bill does not contain an effective date. It is assumed it would go into effect 90 days after the adjournment of the Legislature.

FISCAL IMPACT

SB28 does not contain an appropriation.

The Taxation and Revenue Department (TRD) estimates a revenue loss to the general fund of \$320 thousand for FY24 and \$640 thousand for FY25 and subsequent fiscal years, assuming:

- A total of 20,539 public school teachers fully utilize the deduction;
- A median wage of \$54.9 thousand and an effective tax rate of 3.1 percent for a taxable income between \$50 thousand and \$75 thousand;
- The number of teachers in New Mexico reaches pre-pandemic levels in the coming years and remains flat; and
- The mean wage for teachers will stay in the specified range for the coming years.

SUBSTANTIVE ISSUES

SB28 provides compensation in the form of a tax deduction for teachers who spend their own money to buy school supplies for their classroom. According to the last [report](#) from the National Center for Educational Statistics, 94 percent of all public school teachers in the United States have spent their own money on classroom supplies without reimbursement.

TRD notes the estimated tax reduction in FY24 would be \$16 per teacher and \$32 per teacher for FY25 and subsequent fiscal years. TRD also points out that as this is a deduction from net income, it will not benefit taxpayers that are able to deduct or exempt most of their income through other statutes. For instance, it is not clear if any of the school teachers employed through tribal schools would fall under the qualifications for this deduction, but if they do, they are already able to exempt all their income if they work and live on tribal lands per Section 7-2-5.5 NMSA 1978.

ADMINISTRATIVE IMPLICATIONS

According to TRD, the department would need to make information system changes and update forms and publications. These changes would be incorporated into annual tax year implementation and represent \$5.6 thousand in workload costs for their information technology division.

SOURCES OF INFORMATION

- LESC Files
- Taxation and Revenue Department (TRD)

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