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FISCAL IMPACT REPORT

SPONSOR: Rodella DATE TYPED: 02/28/01 HB 921
 SHORT TITLE: Tax Credit for Family Care-givers SB _____
 ANALYST: Dotson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (4,800.0)	\$ (5,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department.

SUMMARY

Synopsis of Bill

HB 921 creates a refundable \$200 childcare credit from gross receipts paid on expenditures made to care for children of family members. To qualify for the credit, the child must be care for in the residence of the care-giver for a minimum of ten hour a week for six months.

Significant Issues

Cost are incurred during the care of children of family members. The extended family in New Mexico is one of our community strengths. In some cases an extended family member is the only economic option available to working parents to provide after school supervision. The minimum amount of time required could be reasonably satisfied during after hours of a school year.

According to the Taxation and Revenue Department, tying this credit to “for gross receipts taxes paid on the expenditures made to care for children of family members” is not a credible rational for expending public funds to pay for intra-family free child care. It does not avoid the strictures of the anti-donation clause.

FISCAL IMPLICATIONS

The estimated effect on the general fund is a loss of \$4,000 in fiscal year 2002 and \$5,000 in subsequent years.

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According to the Taxation and Revenue Department, the estimated 1999 population of children under 18 is about 496,000. Ten hours a week might mean full-time care or after-school care. Assume 5% of children are looked after by a relative for the requisite six months of the year.

According to the Taxation and Revenue Department, this program is largely creating a blank check on the State Treasury. There is no independent means of verifying that the required amount of child care has been provided. The Department will promulgate regulations that the care giver must keep a contemporaneous log of hours spent looking after relatives. If the cost of this program significantly exceeds \$5M, the Department will recommend a direct audit program to verify the claims for credit. The minimum cost of this special audit effort will be about \$300.0.

ADMINISTRATIVE IMPLICATIONS

According to Taxation and Revenue, there will be minimal impact on systems and processing.

TECHNICAL ISSUES

The definition of expenditure should be clarified. Expenditures presumably could be made outside the ten hours per week and still apply for the credit.

PD/njw