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FISCAL IMPACT REPORT



SPONSOR: Maes DATE TYPED: 02-08-02 HB _____

SHORT TITLE: Tuition Scholarship Tax Credit SB 301

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$5,000.0)	(\$5,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to SB-260, SB-288, -- credit for caring for children at home -- SB-213, SB-130, SB-186, HB-92

SOURCES OF INFORMATION

LFC files
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 301 amends statute by enacting a new section of the Income Tax Act to provides a non-refundable credit against personal income tax obligations. The credit is for 100% of a donation to a private school, which uses the money solely to provide scholarships for students whose family income is less than 185% of the federally-defined poverty level of income. The poverty level is a sliding scale based on family size. For example, the poverty level is \$17,650 for a family of four, so 185% of this level would be \$32,653. SB-301 also requires the recipient institution to be a 501(c)(3) organization. The credits claimed may not exceed \$500 in any one-tax year. The credits may not be allowed for a contribution that is designated by a taxpayer to benefit a particular individual, or that is included in the taxpayer's itemized deductions.

Significant Issues

FISCAL IMPLICATIONS

Senate Bill 301 does not contain an appropriation, however it does have a significant fiscal impact. Detailed below are assumptions made by TRD in determining the impact on revenues:

- Statistics on the National Center for Charitable Statistics web site (http://nccs.urban.org/stcover/stfin/stf_NM.htm) suggest total annual giving for elementary and secondary institutions in New Mexico was \$17 million in 1992. This amount has probably grown to over \$30 million per year;
- one-sixth of these donations will apply to qualified expenditures under the proposal;
- As a point of comparison, I.R.S. data on charitable contributions indicate that contributions to educational institutions comprise approximately 4% of total itemized deductions each year;
- Approximately \$3 billion in total itemized deductions are reported each year in New Mexico. 4% of this amount is \$120 million; and
- the estimate assumes that a small proportion of total itemized deductions will be converted to credits under the proposal.

SN/njw