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FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 2/19/03 HB 572

SHORT TITLE: Career Preparation Education Tax Credit SB _____

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(450.0)	(450.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB460

SOURCES OF INFORMATION

Responses Received From
TRD

SUMMARY

Synopsis of Bill

House Bill 460 would establish a job mentorship income tax credit program similar to that established in 1999 and repealed effective January 1, 2002. The purpose is to encourage businesses to hire young people to participate in career preparation education programs by providing tax credits for employing young people.

The credits would total 50 percent of gross wages paid to a maximum ten qualified students per employer, and would be limited to credits for 320 hours per student. No taxpayer would be allowed to claim more than \$12,000 in credits in any tax year. Credits could be claimed against corporate or personal income tax obligations. A major difference between the proposed measure and the program that was repealed is the proposed measure is designed to stimulate *summer* employment, rather than employment throughout the school year.

Under the proposed program, unused credits may be carried forward for three years. They may be claimed by "New Mexico businesses"-- partnerships, limited partnerships, limited liability

companies, corporations and similar institutions that conducts business in New Mexico. However, claimants must employ fewer than 300 full-time employees any time during a tax year for which the credits are claimed. “Qualified students” are individuals aged 14 to 21 years that are full-time and attending an accredited New Mexico secondary school and participating in a certified school-to-career program. A “certified school-to-career program” is defined as a summer employment program certified by the state School-to-Work Office as a school-to-career program designed for *secondary* students to create academic and career goals and objectives, and find employment in a job meeting those goals and objectives. Hence, the credits would not be provided to businesses for employing students of universities, community colleges and similar institutions.

The Taxation and Revenue Department is to allocate certificates annually to the state School-to-Work Director. The School-to-Work Director is to distribute the certificates to administrators of certified school-to-career programs. The certificates are to serve as evidence of eligibility for the job-mentorship tax credit. The number of certificates issued to a single school-to-career program administrator is to equal the number of qualified school-to-career participants in the particular program on May 1 of each calendar year.

FISCAL IMPLICATION

TRD notes the cost to a business of hiring a student for 320 hours - eight 40-hour weeks at, \$8 per hour would be reduced from \$2,560 to \$1,280 after taxes under the proposed measure, and generate \$1280 in tax credits. The fiscal impact assumes 350 students participate in the program and generate an average 320 hours in credits. Although credits against personal income tax obligations from the job mentorship program totaled only about \$40,000 annually, statistics on the number of credits taken against the corporate income tax were probably much higher than amounts taken against personal income tax liability.

TECHNICAL ISSUES

- According to the New Mexico Department of Education (SDE), the School-to-Work Act on which the original job mentorship credit program was based is no longer in effect. SDE therefore recommends modifying language in the proposal pertaining to the school to work certificates that is similar to language in HB-460 and HB-572 stating “The Department shall issue job mentorship tax credit certificates upon request to any accredited New Mexico school that has a school-sanctioned career preparation program.” This recommendation appears appropriate.
- The apparent intent of the proposal is to allow program administrators to distribute the certificates to individuals and businesses that wish to claim the credits. Adding language to the proposal that clarifies this issue might be appropriate.