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## FISCAL IMPACT REPORT

SPONSOR: Boitano DATE TYPED: 03/05/03 HB \_\_\_\_\_

SHORT TITLE: Tax Credit for Support of School Activities SB 236/aSEC

ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$5,000.0)	(\$5,000.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC files

Response Received from:

State Department of Education (SDE)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of SEC Amendment

The Senate Education Committee amendment expands the definition of eligible school to include virtually all public schools in New Mexico.

#### Synopsis of Original Bill

Senate Bill 236 adds an additional section to the Income Tax Act to allow for an income tax credit for contributions to public schools' extracurricular activities. The tax credit is capped at \$250/ year.

#### Significant Issues

In order for an eligible taxpayer to take the credit, the taxpayer must have a receipt for the eligible extracurricular activity made to an eligible public school located in this state.

SB236 defines an “eligible taxpayer” as one who files an individual New Mexico income tax return and is not a dependent of another taxpayer and has received a receipt from the school certifying that the contribution will be used for an extracurricular activity for one or more children enrolled in school.

SB236 defines an “eligible school “ as a public middle school or junior high school, a public elementary school that enrolls students in grade six or a public high school that enrolls students in grade nine.

SB236 defines “extracurricular activity” as a competitive sport or other activity that supports academic, social, leadership or other skills and that provides opportunities for youth, including academic decathlon, cheerleading, drill team, chess, journalism, mock trial, music, art, drama, science fair, speech, student council, homework club or other activity approved by the State Department of Education (SDE).

### **FISCAL IMPLICATIONS**

TRD states that precise information on the amount of annual expenditure that would be eligible for the credit. However, the definition of qualified contributions is extremely broad. Also, although the proposal prohibits taking the credit if an itemized deduction is taken, the credit would be more valuable and therefore more likely to be taken. Data from federal income tax returns of New Mexico residents indicate that total charitable contributions of \$463 million were claimed on 161 thousand tax returns in tax year 1999, the latest year with complete data. Other data from the Statistics of Income Division of the Internal Revenue Service indicate that educational organizations account for 26% of all charitable contributions to tax-exempt organizations. Arts and humanities organizations account for another 6%. Total education contributions would include some to higher education that would not be eligible for the proposed credit. However, the proposal would extend well beyond these categories, by including sports activities, for example.

SN/prr