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## FISCAL IMPACT REPORT

SPONSOR: Sanchez DATE TYPED: 2-14-03 HB \_\_\_\_\_

SHORT TITLE: School-to-Career Job Program Tax Credit SB 357

ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$375.0)	(\$912.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

NO Responses Received From:

Taxation and Revenue Department (TRD)

Responses Received From:

State Department of Education (SDE)

Economic Development Dept.

### SUMMARY

#### Synopsis of Bill

Senate Bill 357 amends the Income Tax Act to provide income and corporate income tax credits for the employment of youth participating in career preparation education programs. The business claiming the credit can claim up to 50 percent of the gross wages paid to qualified students during any one-tax year. The business is limited to a maximum of ten students employed for up to 320 hours per year for three years per students. The credit has a ceiling of \$12.0 in any one-tax year.

TRD is required to issue job mentorship tax credit certificates upon request by any accredited New Mexico secondary school. The maximum number of certificates issues is dependent on the number of qualifying students in school-sanctioned career preparation programs on October 15.

Significant Issues

**FISCAL IMPLICATIONS**

According to TRD's fiscal impact of HB 92 from the 2002 session, which has similar provisions to SB 357:

TRD cites personal income statistics for tax year 2000 show job mentorship tax credits totaled \$36.4 (Report TR-11, run on 11/09/01). A similar report for tax year 1999 run on the same date lists

\$25.6 in claims. Statistics are not available on corporate income tax claims, although they are likely to be large compared with personal income tax claims because of the larger base of employees to tax liability

The TRD estimate makes the following assumptions:

- (1) Job mentorship credits claimed against corporate income tax equal five times claims against personal income tax;
- (2) Total claims would increase by a factor of four in the short run if the limit on the number of program participants is removed.

Using these assumptions and the personal income tax claims from tax year 2000 as the base, total claims were about \$216 thousand in that year and would increase to about \$864 thousand if the program limit is removed. The FY 2003 estimate assumes there will be a gradual ramp-up of the program during that year, while the full year estimate assumes a fully phased-in program with some growth over the TY 2000 levels.

**OTHER SUBSTANTIVE ISSUES**

The Job Mentorship Tax Credit was signed into law in the spring of 1999 as a three-year pilot project, beginning in the summer 2000, to encourage New Mexico employers to partner with educators to provide high-quality work-based learning experiences through summer employment for youth participating in certified school-to-careers programs. Implementation highlights included:

- Tax credit equal to 50% of the gross wages paid to employee students,
- Maximum of 320 hours eligible per student employee year,
- No more than 10 student-employees for any business,
- Each student eligible for no more than three years,
- Maximum credit claimed by any employer in a tax year limited to no more than \$12.0,
- Businesses employing 300 or more employees at any time ineligible for tax credit,
- Limited to 1,000 participants per year,
- Tax credit certificates issued by New Mexico School-to-Work Office.

The proposed legislation carries forward these elements except for the limit on the number of annual participants.

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The bill limits participation to students attending secondary schools. Businesses participating in work-based learning opportunities that employ students who attend the state's postsecondary institutions would not be eligible for this credit.

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