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FISCAL IMPACT REPORT

SPONSOR McSorley DATE TYPED 2/14/05 HB _____

SHORT TITLE Family Medical Leave Employer Tax Credit SB 448

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(\$1,900.0)	(\$3,800.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department

SUMMARY

Senate Bill 448 provides an income tax credit for employers for a portion of the cost of providing family medical leave. The credit can be claimed against either personal income taxes or corporate income taxes. The credit is equal to 25 percent of the amount paid in the taxable year for salary or wage costs incurred in providing paid family medical leave to an employee. The bill defines family medical leave to mean leave taken by an employee in connection with: (1) the birth or adoption of a child; (2) the care of a child, spouse or parent of the employee who has a health condition necessitating inpatient care or requiring continuous treatment or supervision by a health care provider.

The provisions of the bill are applicable to taxable years beginning on January 1, 2005.

FISCAL IMPLICATIONS

TRD estimates that this legislation would reduce general fund revenues by \$3.8 million in FY06. The estimate, based on NM department of labor reports, assumes that about 3 percent of New Mexico employees are provided family leave benefit. This amounts to approximately 18 thousand employees. TRD estimates, based on the state-wide average wage and the assumption that on average over a career those receiving the benefit use it 60 hours, that paid wages and salaries eligible for the benefit would be about \$15.1 million (multiply 18 thousand times \$14/hour times 60 hours). The tax credit provided in the bill is equal to one quarter of wages and salaries, thus the full-year fiscal impact is estimated to be \$3.8 million: the FY06 estimate. The FY05 estimate is simply half the FY06 estimate.

Note, the TRD fiscal impact does not assume any behavioral response on the part of employers. More employers can be expected to provide this benefit as a result of the credit since the cost of doing so is lower. The behavioral response is probably low in the short term, and thus the estimate seems reasonable. However, the impact should be expected to increase over time.

ADMINISTRATIVE IMPLICATIONS

TRD reports that the administrative implications are minimal and can be absorbed with existing resources.

BT/lg