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## FISCAL IMPACT REPORT

**SPONSOR** Carraro **ORIGINAL DATE** 2/1/06  
**LAST UPDATED** \_\_\_\_\_ **HB** \_\_\_\_\_  
**SHORT TITLE** NMMI Scholarships Donations Income Tax Credit **SB** 424  
**ANALYST** Francis

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(125.0)	(250.0)	(250.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Military Institute (NMMI)  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 424 would allow a personal income tax credit for taxpayers who donate to the New Mexico military institute scholarship fund. The credit is up to one half of the donation and all credits awarded by the Taxation and Revenue Department shall not exceed \$250 thousand in any one tax year.

The bill also sets up the New Mexico military institute scholarship fund which would provide scholarships to students who have a parent or legal guardian imprisoned in a New Mexico correctional facility.

### FISCAL IMPLICATIONS

In 2005, the New Mexico Military Institute (NMMI) matriculated 483 students. Approximately 200 are on scholarships. A full year as a resident costs approximately \$8 thousand. If the maximum credits were claimed, the donations, \$500 thousand, would allow 60 students to attend NMMI. If \$500 thousand is donated, the total fiscal impact would be a reduction in personal income taxes of \$125 thousand in FY06 and \$250 thousand in FY07 and subsequent years. This is

the maximum possible fiscal impact. The likelihood is that it will be somewhat lower since this assumes that 20 percent of the new students will come from this program.

## **SIGNIFICANT ISSUES**

NMMI reports that the students would still have to have the necessary qualifications to attend the school.

## **TECHNICAL ISSUES**

TRD:

1. Throughout the bill, the donation is referred to as a “donation”, but in two places it is referred to as a “contribution.” (Subsection D, Line 11 and Subsection F, Line 22) Perhaps it should be referred to as a “donation” throughout.
2. Section 1, Subsection A (line 25). The wording is not clear as to the year in which the taxpayer may claim the credit. It refers to the “taxable year for which the return is filed” when it is clear from language later in the bill (Section 1, Subsection F, Line 22) that the credit may be taken for the tax year in which the donation is made. While both mean the same thing, the latter language is more clear.
3. Section 1, Subsection A, Page 2, Lines 2-6: While it is clear from the context of the entire bill that the intent of the legislature is to allow only \$250,000 of tax credits in the aggregate for all taxpayers, this is not clear from reading only these lines. These lines alone could just as easily mean that the limit is \$250,000 per taxpayer.
4. Section 1, Subsection C, Page 2, Line 19: Cumbersome wording. Move the phrase “of the donation” between the words “proof” and “satisfactory.”
5. Section 1, Subsection C, Page 3, Line 9. Received by whom? Clarify. “... order received by the New Mexico Military Institute.”
6. Section 2, Page 4, Line 6. It would be best to specify the time frame in which the parent is incarcerated in order to make the child eligible for this preference. For instance, “... imprisoned in a New Mexico correctional facility at the time of the application for financial assistance” or “...at the time of the application for admission.”

## **ALTERNATIVES**

NMMI reports that there are other scholarships available for students.

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