HOUSE BILL 444

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

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AN ACT

RELATING TO TAXATION; PROVIDING AN INCOME TAX CREDIT FOR CONTRIBUTIONS MADE TO CERTAIN ORGANIZATIONS FOR TUITION SCHOLARSHIPS FOR STUDENTS IN PRIVATE SCHOOLS; PROVIDING AN INCOME TAX CREDIT FOR CONTRIBUTIONS MADE TO PUBLIC SCHOOLS FOR SUPPORT OF AN EXTRACURRICULAR ACTIVITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] TUITION SCHOLARSHIP INCOME TAX CREDIT.--

A. Prior to January 1, 2021, a taxpayer who is not a dependent of another taxpayer may apply for, and the department may allow, a tax credit for a contribution made to a school tuition organization if a receipt has been received from the organization certifying that the contribution will be used
for educational scholarships or tuition grants for one or more students. The tax credit may be claimed in an amount equal to the total contributions made during the taxable year for which the tax credit is claimed but shall not exceed one thousand dollars ($1,000) in any taxable year. The tax credit provided by this section may be referred to as the "tuition scholarship income tax credit".

B. The tuition scholarship income tax credit shall not be allowed for a contribution that is included in the taxpayer's itemized deductions, as defined in the Internal Revenue Code, for the taxable year.

C. Married individuals who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half of the tuition scholarship income tax credit that would have been allowed on a joint return.

D. A taxpayer may claim a tuition scholarship income tax credit for the taxable year in which the taxpayer makes a qualifying contribution. To receive a tuition scholarship income tax credit, a taxpayer shall apply to the department on forms and in the manner prescribed by the department.

E. That portion of a tuition scholarship income tax credit that exceeds a taxpayer's income tax liability in the taxable year in which the tuition scholarship income tax credit
is claimed may be carried forward for a maximum of five years but shall not be refunded to the taxpayer. The tuition scholarship income tax credit shall not be transferred to another taxpayer.

F. The department shall provide a format for a standardized receipt to be issued by a school tuition organization to indicate the tuition scholarship income tax credit value of a contribution to the school tuition organization. The department may require a taxpayer claiming the tuition scholarship income tax credit to submit a copy of the receipt with the taxpayer's claim for the tax credit.

G. A taxpayer allowed a tuition scholarship income tax credit shall report the amount of the tax credit to the department in a manner required by the department.

H. The department shall compile an annual report on the tuition scholarship income tax credit that shall include the number of taxpayers approved by the department to receive the tax credit, the aggregate amount of tax credits approved and any other information necessary to evaluate the effectiveness of the tax credit. Beginning in 2017, the department shall compile and present the annual report to the revenue stabilization and tax policy committee and the legislative finance committee with an analysis of the effectiveness and cost of the tax credit.

I. As used in this section:
(1) "qualified school" means an accredited private elementary or secondary school in New Mexico;

(2) "school tuition organization" means an organization that:

(a) demonstrates to the department that it has been granted exemption from the federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code;

(b) provides financial assistance in the form of educational scholarships or tuition grants to students allowing them to attend any qualified school of their parents' choice; provided that no more than: 1) five thousand one hundred dollars ($5,100) may be provided to assist each student entering kindergarten through eighth grade; or 2) six thousand four hundred ($6,400) may be provided to assist each student entering ninth through twelfth grades; and

(c) expends one hundred percent of its tax-credit-qualifying revenues for educational scholarships or tuition grants for students enrolled in a qualified school; and

(3) "tax-credit-qualifying revenue" means a contribution to a school tuition organization for which a receipt, as provided in Subsection F of this section, has been issued by the organization to the donor of the contribution."

SECTION 2. A new section of the Income Tax Act is enacted to read:

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"NEW MATERIAL] EXTRACURRICULAR ACTIVITY CONTRIBUTION

INCOME TAX CREDIT.--

A. A taxpayer who is not a dependent of another taxpayer may apply for, and the department may allow, a tax credit for a contribution made to an eligible school for the support of an extracurricular activity if a receipt has been received from the school certifying that the contribution will be used for an extracurricular activity for one or more students enrolled in the school. The tax credit may be claimed in an amount equal to the total contributions made during the taxable year for which the tax credit is claimed but shall not exceed five hundred dollars ($500) in any taxable year. The tax credit provided by this section may be referred to as the "extracurricular activity income tax credit".

B. The extracurricular activity income tax credit shall not be allowed for a contribution that is included in the taxpayer's itemized deductions, as defined in the Internal Revenue Code, for the taxable year.

C. Married individuals who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half of the extracurricular activity income tax credit that would have been allowed on a joint return.

D. A taxpayer may claim an extracurricular activity income tax credit for the taxable year in which the taxpayer
makes a qualifying contribution. To receive an extracurricular activity income tax credit, a taxpayer shall apply to the department on forms and in the manner prescribed by the department.

E. That portion of an extracurricular activity income tax credit that exceeds a taxpayer's income tax liability in the taxable year in which the extracurricular activity income tax credit is claimed may be carried forward for a maximum of five years but shall not be refunded to the taxpayer. The extracurricular activity income tax credit shall not be transferred to another taxpayer.

F. The department shall provide a format for a standardized receipt to be issued by an eligible school to indicate the extracurricular activity income tax credit value of a contribution to the school. The department may require a taxpayer claiming the extracurricular activity income tax credit to submit a copy of the receipt with the taxpayer's claim for the tax credit.

G. A taxpayer allowed an extracurricular activity income tax credit shall report the amount of the tax credit to the department in a manner required by the department.

H. The department shall compile an annual report on the extracurricular activity income tax credit that shall include the number of taxpayers approved by the department to receive the tax credit, the aggregate amount of tax credits
approved and any other information necessary to evaluate the
effectiveness of the tax credit. Beginning in 2017, the
department shall compile and present the annual report to the
revenue stabilization and tax policy committee and the
legislative finance committee with an analysis of the
effectiveness and cost of the tax credit.

    I. As used in this section:

    (1) "eligible school" means a public school in
New Mexico that is a middle school or junior high school, an
elementary school that enrolls students in grade six or a high
school that enrolls students in grade nine; and

    (2) "extracurricular activity" means athletic,
co-curricular and other extracurricular activities sanctioned
by the New Mexico activities association."

SECTION 3. APPLICABILITY.--The provisions of this act
apply to taxable years beginning on or after January 1, 2015.