

LFC Requester:

Laird Graeser

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov****(Analysis must be uploaded as a PDF)****SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Date Prepared: 1/22/26 *Check all that apply:*
Bill Number: HB106 Original X Correction
 Amendment Substitute

Sponsor: Mark Duncan **Agency Name and Code Number:** ECECD 61100
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Short Title: Home-based Child Care Income Tax Credit **Phone:** 505-231-2997 **Email:** Elizabeth.groginsky@ecd.nm.gov

SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

HB 106 proposes to create an income tax credit under the Income Tax Act for taxpayers who do not enroll their dependent children in a state-funded or private child care facility or a state-funded or private prekindergarten program. A dependent child is defined as any minor child or stepchild of the taxpayer who would be a dependent for federal income tax purposes and is age five or younger.

The tax credit is \$1,000 per month for each month the dependent child is not eligible to enroll in public school. The taxpayer must apply for a certification of eligibility from the Early Childhood Education and Care Department (ECECD) for the tax credit. Only one tax credit may be certified per dependent child per month, except for circumstances where married individuals file separate returns but could have filed a joint return. In these cases, the married individuals may each claim one-half of the tax credit that would have been allowed on a joint return. The provisions of this Act apply to taxable years beginning on or after January 1, 2026, and the credit amount shall be adjusted for inflation starting in taxable year 2027 and each subsequent year.

FISCAL IMPLICATIONS

Because the taxpayer must apply for a certification of eligibility from the Early Childhood Education and Care Department (ECECD) for the tax credit, the Early Childhood Education and Care Department (ECECD) estimates that three (3) additional Full Time Employees (FTEs) will be required to process certifications of eligibility. ECECD estimates that the cost of each FTE will be approximately \$83,680 each, per year, including benefits, for a total of \$251,040 without which ECECD cannot absorb the additional work required.

SIGNIFICANT ISSUES

The credit would favor households where one or both parents do not work, while excluding families that depend on child care and prekindergarten programs to participate in the workforce.

PERFORMANCE IMPLICATIONS

A decline in participation in early childhood programs could negatively influence statewide early learning outcomes, school readiness, and long-term child development measures.

ADMINISTRATIVE IMPLICATIONS

HB 106 requires the Early Childhood Education and Care Department to certify eligibility every month for each child, creating a steady stream of applications, verification tasks, and data management responsibilities resulting in a demand for new staffing, updated technology systems, and stronger coordination with the Taxation and Revenue Department to ensure accurate and timely processing of refundable credits. Verifying that children are not enrolled in any public or

private child care or pre-K program also adds complexity, increasing the need for agency-wide data checks and clear procedures to prevent errors or duplicate claims.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

The monthly certification requirement is burdensome and may be difficult to administer consistently, especially since agencies must verify that a child is not enrolled in any public or private programs, that requires reliable agency-wide data sharing.

OTHER SUBSTANTIVE ISSUES

The credit may shift family behavior in ways that conflict with New Mexico's long-term early-childhood goals, particularly if it draws children away from high-quality pre-K programs that are proven to improve school readiness. The bill does not address how the state will evaluate outcomes or measure whether the credit improves family stability, child development, or workforce participation

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 106 is not enacted, families who choose to stay at home to care for their children and do not enroll their children child care or pre-kindergarten programs, would continue to receive no direct financial support.

AMENDMENTS