



LFC Requester: Graeser

**PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2026 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: January 2026

Bill No: HB106

Committee Referrals: HCEDC/HTRC

Agency Name and Code: PED - 924

Sponsor: Duncan

PED Lead Analyst: David Craig

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Short Title: HOME-BASED CHILD CARE
INCOME TAX CREDIT

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SECTION II: FISCAL IMPACT

(Parenthesis () Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY27	FY28		
None	None	N/A	NFA

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY27	FY28	FY29		
~\$16,380	~\$16,380	~\$16,380	Recurring	GF

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY27	FY28	FY29	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	None	None	N/A	N/A	NFA

Duplicates/Relates to Appropriation in the General Appropriation Act: None as of 1/28/26.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 106 (HB106) would provide a \$1,000 per month tax credit per individual New Mexico tax return for a taxpayer who does not enroll the taxpayer's dependent child in a state-funded or private childcare facility or a state-funded or private pre-kindergarten program.

This bill is applicable to taxable years beginning on or after January 1, 2026.

The bill does not provide an effective date. Laws go into effect 90 days after the adjournment of the legislature enacting them, unless a later date is specified. If enacted, this bill would become effective May 20, 2026.

FISCAL IMPLICATIONS

The bill does not contain an appropriation.

PED estimates a fiscal impact as high as \$16,380,000 per year. This is calculated by subtracting 18,376 ([the children served in New Mexico PreK in FY25](#)) from 19,741 (the number of students enrolled in kindergarten in FY25) and multiplying that by the \$1,000 tax credit per month for 12 months. Amounts could be much higher or lower based upon tax compliance, actual enrollment in childcare/PreK in future years, or other factors.

SIGNIFICANT ISSUES

The Early Childhood Education and Care Department (ECECD), like many of its state childcare administration partners across the country, does not keep records of kids who are not enrolled in their programs.

The administrative burden to enroll for childcare subsidies is notoriously complex. Families often endure reverification for childcare subsidies every 6-12 months by refilling out paperwork. Sometimes coverage is dropped because of missed paperwork or minor fluctuations in income in the period. Moving to universal childcare is designed to remove and prevent some of these administrative red tape burdens on families. There has also been a focus on stigma and reluctance to accept government subsidies. Again, moving to a universal model where everyone has access to free childcare helps remove the stigma of government assistance. Similarly, high co-pays on higher earners may result in higher income families determining it is not worth the time to fill out paperwork if the subsidy is so minimal as to be ineffective. This issue is also removed under a universal model.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

The bill would require Tax and Revenue Division (TRD) to implement a new tax credit into its tax forms and track it within their databases. This administrative cost is best calculated by TRD.

The bill would require ECECD to provide TRD with certificates of eligibility of kids not in government programs but eligible for tax credits. ECECD does not keep any information on children that do not enroll in their programs; it is unclear how they would be able to provide TRD with the certificates of eligibility issued pursuant to the provisions of the bill.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

Many states require families to seek child support from non-custodial parents as a pre-requisite to receiving childcare subsidies. In families where a partner has no contact with their ex-partner, they forgo the subsidy. New Mexico does not require this pre-requisite and will not under universal childcare. Similarly, substance abuse often factors into child custody and foster children's priorities in childcare slots as some parents who have children moving in and out of the system lack executive function to navigate the administrative procedures. This barrier is again minimized under the universal system.

In New Mexico, most families with [complicated work schedules](#) are low wage earners that have just-in-time shift work with an inability to know their hours two weeks in advance. These families are unable to commit to fixed schedule childcare centers need and depend on informal care. Research is small but shows generally high earners can generally navigate a fixed schedule with wrap around services.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None.