

LFC Requester:

**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**  
**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**  
[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto: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:** 2/5/2026 *Check all that apply:*  
**Bill Number:** HB 296 Original  Correction   
 Amendment  Substitute

<b>Sponsor:</b> <u>Derrick J. Lente, Cristina Parajon</u> <b>Short Title:</b> <u>INCREASE WORKING FAMILY TAX CREDIT</u>	<b>Agency Name and Code Number:</b> <u>Economic Development Department 41900</u> <b>Person Writing:</b> <u>Daye Kwon</u> <b>Phone:</b> <u>505-946-7291</u> <b>Email:</b> <u>daye.kwon@edd.nm.gov</u>
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**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
<b>Total</b>						

(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:

House Bill 296 (HB 296) amends the Working Families Tax Credit against New Mexico personal income taxes. Currently, the credit is set at 20% of the federal earned income tax credit for taxable years beginning in 2021 and 25% for taxable years beginning in 2023. The Bill increases the credit to 50% of the federal earned income tax credit. The credit may be applied against an individual's New Mexico income tax liability, and any excess credit is refundable.

The provisions of HB 296 apply to taxable years beginning on or after January 1, 2026.

#### **FISCAL IMPLICATIONS**

Over the last three fiscal years, from 2023 to 2025, the Working Families Tax Credit has averaged approximately 207,200 claims per year, with annual expenditures of about \$118.7 million (Taxation and Revenue Department, *New Mexico 2025 Tax Expenditure Report*). By raising the credit from 25% to 50% of the federal earned income tax credit, the Bill would increase credits claimed by eligible taxpayers, reducing State income tax revenue and affecting the general fund. The specific fiscal impact would depend on the number of eligible taxpayers and the amount of federal earned income tax credits claimed beginning in taxable years 2026.

#### **SIGNIFICANT ISSUES**

The Working Families Tax Credit is intended to reduce the tax burden on working families, thereby reducing poverty and incentivizing workforce participation. Because eligibility for the credit is largely contingent on receipt of the federal earned income tax credit, the credit primarily serves lower-income workers and phases out as income rises, with larger credits available to families with more dependents.

According to the Taxation and Revenue Department's *New Mexico 2025 Tax Expenditure Report*, prior expansions of the credit have coincided with improvements in New Mexico's Supplemental Poverty Measure and reductions in child poverty, including a 3.2% decline in the official child poverty rate in 2024. Expanding the credit may further increase after-tax income for eligible workers and families, potentially supporting continued workforce participation and reduced poverty.

Because savings rates among lower-income taxpayers tend to be relatively low, additional credit amounts are likely to be spent rather than saved. This increases the likelihood that funds distributed through the credit circulate through the local economy, supporting consumer spending and economic activity. While the expanded credit would reduce general fund revenues in the short term, which could limit the availability of state resources for other programs, residents' continued workforce participation and increased economic activity have the potential to expand the tax base and generate additional tax revenue over the long term.

**PERFORMANCE IMPLICATIONS**

**ADMINISTRATIVE IMPLICATIONS**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

**AMENDMENTS**