

**Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department**

January 23, 2026

Bill:
SB-88

Sponsor:
Senator Michael Padilla

Short Title:
Foster Parent Tax Credit

Description:
This bill provides that an individual who is a foster parent or a guardian of a child may claim a credit against the taxpayer's personal income tax liability. The amount of the credit is \$500 for each month the taxpayer is a foster parent or guardian of a child in the tax year the credit is claimed, provided the taxpayer is a foster parent or guardian of a child for more than 50% of that month. The maximum amount of the credit is \$6,000. Only one tax credit shall be certified for all taxpayers in a household per taxable year, unless the taxpayer files a married filing separate return. The taxpayer shall apply for the credit from the Children, Youth, and Families Department (CYFD) and it shall provide the Taxation and Revenue Department (Tax & Rev) certificates of eligibility in an electronic format at regularly agreed upon intervals. The portion of the credit that exceeds the taxpayer's tax liability shall be refunded to the taxpayer. The credit will be included in the tax expenditure report.

Effective Date, Applicability, and Contingency Language:
Not specified or 90 days following adjournment (May 20, 2026). Applicable for tax years starting January 1, 2026.

Taxation and Revenue Department Analyst:
Sara Grubbs

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	(\$13,400- \$18,800)	(\$13,400- \$18,800)	(\$13,400- \$18,800)	(\$13,400- \$18,800)	R	General Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact:
The methodology used to estimate the revenue impact assumes that the foster parent is licensed or certified by the CYFD or a child placement agency, and that the guardian is appointed by a court or an Indian tribal authority pursuant to the Kinship Guardianship Act, as defined in the bill. Guardians ad litem are not eligible.

To estimate the number of eligible foster parents, Tax & Rev used data from CYFD. In 2025, there were 1,075 foster homes registered with CYFD.

To estimate the number of guardians, Tax & Rev used U.S. Census Bureau data that indicated that 1.6% of children in New Mexico live in a household headed by a non-family member¹. Tax & Rev assumes each household is associated with one tax return and only one credit is certified for a household each taxable

¹ U.S. Census Bureau, U.S. Department of Commerce. "Children Characteristics." American Community Survey, ACS 5-Year Estimates Subject Tables, Table S0901, 2023.

year. Tax & Rev then indexed this percentage to the number of taxpayers who claimed the 2025 New Mexico Child Tax Credit (CTC) to determine the number of households with a dependent child, resulting in an estimated 4,120 households². Of these households, Tax & Rev assumed 50% would qualify as a “guardian.”

The credit amount is \$500 for each month the individual is a foster parent or guardian, and the taxpayer must be a foster parent or guardian for more than 50% of the month. This allows an eligible taxpayer to claim this credit for a partial year or a full year. Tax & Rev presents the fiscal impact as a range, assuming at the lower end that 50% of eligible foster parents or guardians receive the credit for six months while the remaining eligible taxpayers qualify for a full year. The upper end of the range assumes that all eligible foster and guardian households qualify for the credit for a full year.

Policy Issues:

Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 16% of the state’s recurring General Fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states and the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of “adjusted gross income” and ties to other statutes in the federal tax code. This is referred to as “conformity” to the federal tax code. The PIT is an important tax policy tool that can further both horizontal equity, by ensuring the same statutes apply uniformly to all taxpayers, and vertical equity, by aligning the tax burden with the taxpayers’ ability to pay.

New Mexico has a dire shortage of foster parents who can help support children living in unhealthy home environments. A foster parent or guardian supports the financial, social and psychological needs of foster children living in their homes. In addition, the foster parent or guardian encourages school attendance, which in the long run increases the potential future success of the child in the workforce or secondary education. Furthermore, keeping at-risk children in a home environment may reduce social costs over the long-term by reducing social, economic, and psychological problems that children who lack stable care and experience trauma may experience. The proposed credit is expected to have a positive future social, and therefore fiscal, impact. Children who grow up in stable homes are more likely to experience long-term success in adulthood, including health and financial well-being³.

New Mexico has recently shown dramatic improvement in eradicating poverty, especially child poverty, as evidenced by the Supplemental Poverty Measure issued by the U.S. Census Bureau. This proposal may continue that progress by providing significant tax relief to families who commit to fostering or becoming a guardian for a vulnerable child.

Technical Issues:

None.

Other Issues:

None.

Administrative & Compliance Impact:

Tax & Rev will update forms, instructions, and publications and make information system changes. Staff training to administer the credit will need to take place. Tax & Rev will also establish a memorandum of

² For more information on the Child Tax Credit see 2025 Tax Expenditure Report; <https://www.tax.newmexico.gov/forms-publications/>

³ Trajectories of Housing Insecurity From Infancy to Adolescence and Adolescent Health Outcomes; Kristyn A. Pierce, MPH, et al; Pediatrics; July 1, 2024.

understanding (MOU) and data exchange to receive tax credit certifications from CYFD. This implementation will be included in the annual tax year changes.

Tax & Rev’s Administrative Services Division (ASD) will test credit sourcing and perform other systems testing. It is anticipated this work will take approximately 40 hours split between two FTE of a pay band eight and a pay band ten at a cost of approximately \$2,700. Pay band eight hours are estimated at time and ½ due to extra hours worked required for implementation.

This bill will have a moderate impact on Tax & Rev’s Information Technology Division (ITD), requiring approximately 680 hours or about four months for an estimated staff workload cost of \$47,063. The estimate includes the interface between Tax & Rev and CYFD.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	\$2.7	--	\$2.7	NR	ASD – Staff workload
--	\$47.0	--	\$47.0	NR	IT – Staff workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).

Related Bills:

Similar to HB-225 and SB-335 (2025 Regular Session)