

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

February 2, 2026

Bill:
SB-170

Sponsor:
Senator Heather Berghmans

Short Title:
Child Care Facility Donation Tax Credit

Description:
This bill creates the child care facility donation tax credit for donations made to licensed child care facilities. The licensed child care facility must provide at least 50% of its child care services to children who receive child care assistance under contracts with the Early Childhood Education and Care Department. The credit may be claimed against the personal income tax (PIT) and the corporate income tax (CIT) and is equal to the amount of the donation, up to a maximum of \$500,000 per taxpayer per tax year. To claim the credit, a donor must apply for and receive certification from the Early Childhood Education and Care Department (ECECD). The total aggregate amount of credits that may be certified statewide is capped at \$10 million per calendar year. Any portion of the credit that exceeds a taxpayer’s tax liability is refundable. The credit is required to be included in the tax expenditure budget and will sunset on January 1, 2037.

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

Taxation and Revenue Department Analyst:
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Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	(Up to \$10,000)	(Up to \$10,000)	(Up to \$10,000)	(Up to \$10,000)	R	General Fund

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

Methodology for Estimated Revenue Impact:

The ECECD provides a data dashboard that details child care enrollment and child care provider counts by month. In November 2025, 1,951 providers in New Mexico provided child care under the Child Care Assistance Program. Sections 1(J)(2), on page 5, and 2(H)(2) on pages 7 and 8, state that the qualifying child care facility must be licensed by ECECD. This bill requires the qualifying child care facility or program to meet the minimum enrollment requirements to receive subsidies. ECECD reports that 1,200 providers would be eligible under this requirement. Assuming if each of the 1,200 providers receives equal donations, at a \$10 million aggregate cap, each qualifying child care facility could receive up to \$8,333 per child care facility per year.

This credit allows a maximum refundable credit of \$500,000 per taxpayer per year that can be applied against either PIT liability or CIT liability. As such, the Taxation and Revenue Department (Tax & Rev) has no straightforward way to determine how many individual taxpayers will claim this credit or the amount of the donation. The table below details the maximum number of taxpayers that could claim this credit under various individual credit amounts.

Individual Credit Amount	Max Number of Taxpayers at Aggregate Cap
\$500,000	20
\$250,000	40
\$100,000	100
\$50,000	200
\$10,000	1,000
\$1,000	10,000

Given the possible scenarios presented above based on donations for each child care facility and based on donations by number of taxpayers and that the credit is refundable, Tax & Rev assumes that the credit cap of \$10 million may be reached.

Policy Issues:

On November 1, 2025, New Mexico became the first state to offer universal child care (UCC), which is available to all New Mexican children. The UCC program has no income limits, copays, or fees. To achieve these goals, the Office of the Governor proposed the following¹:

- Establishing a \$12.7 million low-interest loan fund to construct, expand, and renovate child care facilities,
- Targeting growth to focus on care for infants, toddlers, low-income families, and children with special needs,
- Partnering with employers and school districts to expand child care options,
- Launching a statewide campaign to recruit licensed and registered home providers, and
- Providing for programs that commit to paying entry-level staff a minimum of \$18 per hour and offer 10 hours of care per day, five days a week, receive an incentive rate.

ECECD estimates that removing the income cap to offer UCC resulted in approximately 25,000 additional children becoming eligible for child care assistance.² Given that approximately 66% of New Mexico children have all parents in a household participating in the workforce, increased accessibility and affordability for child care will likely result in increased financial stability for households, which results in better and stabler homes for New Mexico’s children.³

In addition to the above policy expansions, the State of New Mexico also has provided income tax relief for child care. In 2024, the Child Care Providers gross receipts tax (GRT) deduction was enacted. This provided a deduction from GRT for gross receipts received from providing child care services. In FY2025, this amounted to approximately \$13 million in GRT relief, meeting the expected impact. Child care costs can range from 8-19% of family income per child, depending on provider type, child’s age, and location,⁴ with families spending on average \$14,000 annually on child care⁵. In a 2022 study from the Cradle to Career Policy Institute (CCPI) at the University of New Mexico (UNM), researchers noted that low-income

¹ <https://www.governor.state.nm.us/2025/09/08/new-mexico-is-first-state-in-nation-to-offer-universal-child-care/>

² https://www.nmeccd.org/wp-content/uploads/2025/12/Universal-Child-Care-Brief-12-11-25_FINAL_REV2.pdf

³ U.S. Census Bureau. "Age of Own Children Under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents." *American Community Survey, ACS 1-Year Estimates Detailed Tables, Table C23008*, <https://data.census.gov/table/ACSDT1Y2024.C23008?q=parents+in+workforce+new+mexico>. Accessed on 29 Jan 2026.

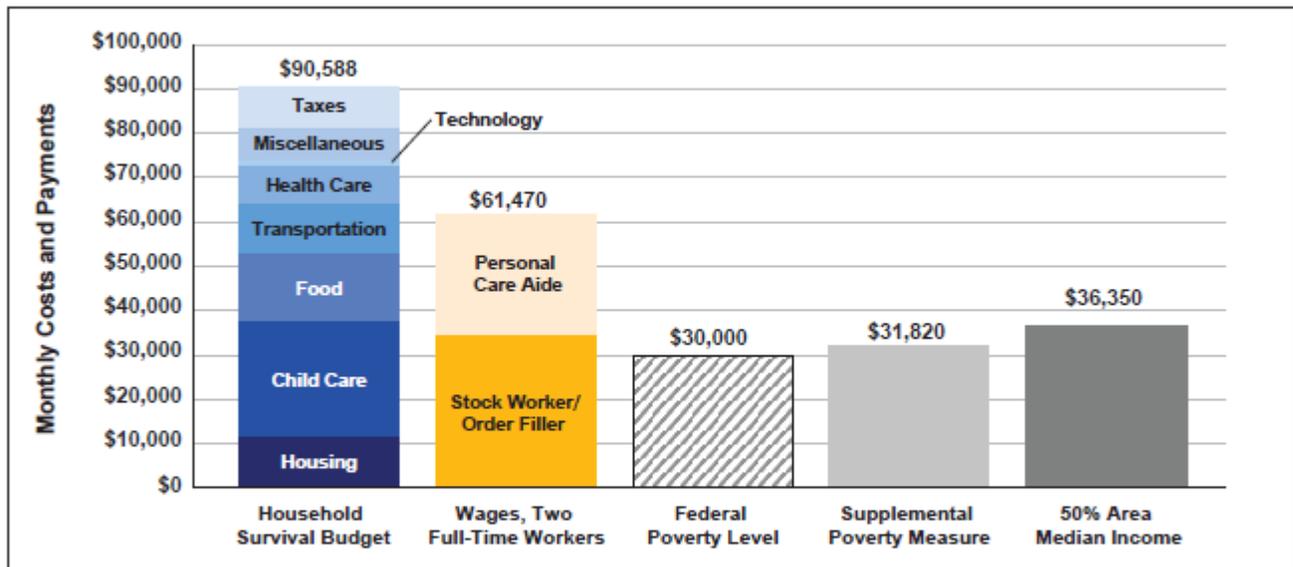
⁴Breidenbach, Andrew, et al. "Why don't families apply for child care subsidies? Results from a survey of subsidy users and non-users in New Mexico", *Children and Youth Services Review*, Vol. 179, December 2025.

⁵https://www.canva.com/design/DAGy11x1bnU/cDR2iZi0JzueJ-1cgMqgVw/view?utm_content=DAGy11x1bnU&utm_campaign=designshare&utm_medium=link2&utm_source=uniquelinks&utlId=h13c295266c#8

families, single-parent families, and families with infants pay an even higher proportion of their income toward child care.⁶ In addition, families with incomes over program limits can still face a financial barrier to child care accessibility.

The United Way publishes a biennial report titled “ALICE in New Mexico: A Study of Financial Hardship.” ALICE (an acronym for Asset Limited, Income Constrained, Employed) is a metric that examines households that earn above the federal poverty level (FPL), but not enough to afford basic necessities. In New Mexico in 2023, it was estimated that for a family for four, an annual income of \$90,588 was needed to cover basic necessities, (called household survival budget). The graph below breaks this down by household expense.⁷ The United Way estimates that 46% of New Mexico household were below the ALICE threshold in 2023.

Figure 2. Basic Costs Exceed Wages of Common Jobs and Official Measures of Hardship
Annual Budget, Wages, and Official Measures of Financial Hardship, Family of Four, New Mexico, 2023



Note: *Personal care aides* monitor the condition of people with disabilities or chronic illnesses and help them with daily living activities. *Stock workers/order fillers* receive, store, and issue merchandise, materials, equipment, and other items from stockrooms, warehouses, or storage yards, and may operate power equipment to fill orders.

Sources: ALICE Household Survival Budget, 2023; Bureau of Labor Statistics—Occupational Employment Statistics, 2023; U.S. Census Bureau, Supplemental Poverty Measure, 2023; U.S. Department of Housing and Urban Development, *Area Median Income (New Mexico Income Limits)*, 2023.

New Mexico has implemented several policy expansions to address these challenges. The Child Care Assistance Program provides a child care subsidy to eligible families. Eligible families use an assistance voucher to pay for child care with a participating provider, and these providers receive reimbursement from ECECD. New Mexico also waived child care assistance copayments, changed provider reimbursement rates, invested in workforce development, and expanded eligibility for child care subsidies to 400% of the FPL. It is estimated that between 2019 and 2023, enrollment of children served by New Mexico’s child care subsidy program increased by 39% but it does vary depending on county.⁸

New Mexico has seen positive outcomes with these expansions. ECECD was created in 2020 and over this time, New Mexico has seen⁹

⁶Breidenbach, Andrew, et al. “Why don’t families apply for child care subsidies? Results from a survey of subsidy users and non-users in New Mexico”, *Children and Youth Services Review*, Vol. 179, December 2025.

⁷ <https://uwncnm.org/alice-in-nm/>

⁸<https://ccpi.unm.edu/sites/default/files/publications/Trends%20After%20Policy%20Change%20in%20NM%27s%20Child%20Care%20Assistance%20Program.pdf>

⁹ <https://www.nmcecd.org/2025/10/10/new-mexicans-weigh-in-on-universal-child-care-at-ececd-public-hearing/>

- Average reimbursement rates for child care assistance increased by 61%, with gains for higher levels of care quality and for infants and toddlers,
- Licensed child care slots increased by more than 21%.
- The number of licensed child care providers operating in New Mexico increased by 12.5%,
- The size of New Mexico’s child care workforce increased by 64%, while the national child care workforce fell during the same period, and
- Median child care wages in New Mexico increased by 65%, higher than any other state.

Families in need of child care also face accessibility issues. If the child care facility donation as described in this bill results in the building of more child care facilities, then all families benefit. Not only do the facilities benefit, but due to the increased revenue for the child care facility, the facility can potentially attract additional staff due to higher wages or increase the number of children the facility can care for.

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, along with 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 taxable 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 has the potential to further both horizontal equity by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers’ ability to pay.

CIT is a volatile source of revenue for many states. Providing additional corporate tax incentives increases volatility.

The deductions in this bill can be for profit and non-profit child care facilities, some of the deductions contemplated in this bill may be deductible for federal purposes if made to a not-for-profit facility. Credits are more valuable because they provide a dollar-for-dollar reduction in a taxpayer’s tax liability, whereas deductions only reduce taxable income, and therefore result in only a percentage of the contribution reducing overall tax liability..

The credit has a sunset date of January 2037. Tax & Rev supports sunset dates for policymakers to review the impact of tax expenditures before extending them.

Technical Issues:

[Sections 1 & 2] In subsections D, on page 3 line 4 and page 6 line 19, Tax & Rev suggests that the word “claimed” be changed to “certified.” ECECD is the certifying agency and is to administer the certification cap of \$10 million.

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. This implementation will be included in the annual tax year changes.

For Tax & Rev’s Administrative Services Division (ASD), implementing this bill will require existing two FTEs 40 hours split between pay-band eight and 10 positions for each tax program for a total of 80 hours. Pay band eight hours are estimated at time and ½ due to extra hours worked required for implementation.

For Tax & Rev’s Information Technology Division (ITD), this bill will have a moderate impact on ITD, requiring approximately 680 hours or about 4 months for an estimated staff workload cost of \$47,063. The estimate includes an interface between Tax & Rev and ECECD.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	\$5.4	--	\$5.4	NR	ASD – Staff workload
--	\$47.0	--	\$47.0	NR	ITD – Staff workload

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