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**FISCAL IMPACT REPORT**

SPONSOR Wilson DATE TYPED 02/16/98 HB \_\_\_\_\_  
 SHORT TITLE Welfare to Work Tax Credit SB 119/aSWMC/aSFC  
 ANALYST Gallegos

**REVENUE**  
(Thousands)

<u>Estimated Revenue</u>	<u>Subsequent</u>	<u>Recurring</u>	<u>Fund</u>
<u>FY99</u>	<u>FY00</u>	<u>Years Impact</u>	<u>or Non-Rec</u>
			<u>Affected</u>
\$ <u>(940.0)</u>	\$ <u>(1,400.0)</u>	\$ <u>na</u>	<u>Non-recurring</u>
			<u>Gen. Fund</u>

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to SB190, HB340, HB347

**SOURCES OF INFORMATION**

Taxation and Revenue Department

**SUMMARY**

Synopsis of SFC Amendments

The SFC amendments creates new sections, one under the income tax act and the other in the corporate income tax act which makes it clear that the hiring of a "state-qualified employee" does not result in displacement of or reduction of hours of a current employee; does not impair existing contracts for services or collective bargaining agreements and the "state-qualified employee" will be covered by any existing collective bargaining agreements unless the employer and labor organization agree otherwise in writing; the "state-qualified employee" may fill or perform its duties in a manner consisting with existing laws, personnel procedures and collective bargaining agreements; the wages must be comparable to those currently being paid by the employer; the employer must maintain health, safety and working conditions; and maintain historical entry-level wages and benefits.

The SFC amendments do not affect the original fiscal implications of this bill.

Synopsis of SWMC Amendment

The SWMC amendments create a purpose for the bill and make both technical corrections to the bill and create a new definition which helps to clarify the specific terms used in the bill.

[NEW] Section 1- Sets out the purpose of the bill is to create long term jobs for temporary assistance for needy family assistance recipients in small, rural areas and communities without displacing existing workers from their current jobs and a stepping stone to reach the goal of full employment in New Mexico.

The SWMC amendment does not affect the fiscal impact.

#### Synopsis of Bill

This bill proposes to add a tax credit to the personal income and corporate income tax acts for persons or corporations that are eligible to claim the federal welfare-to-work credit. The criteria for both tax credits are:

- a) the credit is equal to 50% of the federal welfare-to-work credit claimed and allowed.
- b) the employee must be a "state qualified employee" residing in a "high-unemployment county". A "high-unemployment county" is a county which had an unemployment rate exceeding 10% for a period of 6 months or more in a prior year.
- c) the credit can only be applied against the taxpayer's liability and any unused portion can be carried forward for three years.

The labor department will determine if an employee is a "state-qualified employee" and will give that employee a certification that must be filed with the tax return. To begin with the labor department must notify the Taxation and Revenue Department by July 1, 1998 and thereafter by January 1st the high unemployment counties for the prior year.

#### Significant Issues

#### **FISCAL IMPLICATIONS**

The Taxation and Revenue Department estimates that in FY99 a loss of \$940,000 will occur to the general fund and that in FY00 a \$1,400,000 will occur ion succeeding years.

The federal credit has a two-tier rate ... 35% applicable to the first year of employment and 50% applicable to the second year. The state credit is half the federal rate. This difference in credit rate creates the higher second year cost of the proposal. The estimate assumes 600 former or current TANF (temporary assistance to needy families) recipients find jobs in the rural areas. While there may be "churning" of the welfare and job populations, this exhibit assumes that once employed will stay employed and that the impact is essentially non-recurring. [See Taxation and Revenue Fiscal Impact Report for more details.]

#### **ADMINISTRATIVE IMPLICATIONS**

The Taxation and Revenue Department has stated that the new credit would require only moderate administrative effort.

**CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP**

SB190 and HB340

**TECHNICAL ISSUES**

1. The Taxation and Revenue Department states it is not certain the department of labor can certify individual persons, since human services department has the information on TANF recipients, while the department of labor only has data on unemployment rates.
2. The bill does not provide an incentive for job creation and it does not contain a pay-back provision in the event the credit is disallowed or adjusted at the federal level.

**OTHER SUBSTANTIVE ISSUES**

[See Taxation and Revenue Department Fiscal Impact for details on this issue.]

MFG/njw

