

HOUSE BILL 106

**57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026**

INTRODUCED BY

Mark Duncan

AN ACT

RELATING TO TAXATION; CREATING THE HOME-BASED CHILD CARE INCOME  
TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Income Tax Act is enacted  
to read:

"[NEW MATERIAL] HOME-BASED CHILD CARE INCOME TAX CREDIT.--

A. A taxpayer who files an individual New Mexico  
income tax return, is not a dependent of another individual and  
does not enroll the taxpayer's dependent child in a state-  
funded or private child care facility or a state-funded or  
private pre-kindergarten program may claim a credit against the  
taxpayer's tax liability imposed pursuant to the provisions of  
the Income Tax Act. The credit authorized pursuant to this  
section may be referred to as the "home-based child care income

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1 tax credit".

2 B. Except as provided in Subsection D of this  
3 section, the amount of credit shall be in the amount of one  
4 thousand dollars (\$1,000) per month for each month the  
5 dependent child is not eligible to enroll in public school.

6 C. A taxpayer shall apply for certification of  
7 eligibility for the tax credit from the early childhood  
8 education and care department on forms and in the manner  
9 prescribed by that department. Except as provided by  
10 Subsection F of this section, only one tax credit shall be  
11 certified per dependent child not enrolled in a state-funded or  
12 private pre-kindergarten program per month. The early  
13 childhood education and care department may issue rules  
14 governing the procedure for administering the provisions of  
15 this subsection. The early childhood education and care  
16 department shall provide the department with the certificates  
17 of eligibility issued pursuant to this subsection in an  
18 electronic format at regularly agreed-upon intervals.

19 D. For the 2027 taxable year and each subsequent  
20 taxable year, the amount of credit provided in Subsection B of  
21 this section shall be adjusted to account for inflation. The  
22 department shall make the adjustment by multiplying the credit  
23 amount by a fraction, the numerator of which is the consumer  
24 price index ending during the prior taxable year and the  
25 denominator of which is the consumer price index ending in tax

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1 year 2025. The result of the multiplication shall be rounded  
2 down to the nearest one dollar (\$1.00), except that if the  
3 result would be an amount less than the corresponding amount  
4 for the preceding taxable year, then an adjustment shall not be  
5 made.

6 E. That portion of the home-based child care income  
7 tax credit claimed by a taxpayer that exceeds the taxpayer's  
8 income tax liability in the taxable year in which the home-  
9 based child care income tax credit is claimed shall be refunded  
10 to the taxpayer.

11 F. Married individuals who file separate returns  
12 for a taxable year in which they could have filed a joint  
13 return may each claim only one-half of the home-based child  
14 care income tax credit provided in this section that would have  
15 been allowed on a joint return.

16 G. The credit provided by this section shall be  
17 included in the tax expenditure budget pursuant to Section  
18 7-1-84 NMSA 1978, including the total annual aggregate cost of  
19 the credit.

20 H. As used in this section, "dependent child" means  
21 a child who:

22 (1) is a "dependent" as defined by Section 152  
23 of the Internal Revenue Code of 1986, as that section may be  
24 amended or renumbered, but also includes any minor child or  
25 stepchild of the taxpayer who would be a dependent for federal

1 income tax purposes if the public assistance contributing to  
2 the support of the child or stepchild was considered to have  
3 been contributed by the taxpayer; and

4 (2) is age five or younger."

5 SECTION 2. APPLICABILITY.--The provisions of this act  
6 apply to taxable years beginning on or after January 1, 2026.

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