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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 260

SHORT TITLE: Workforce Education Tax Credit

SPONSOR: Muñoz/Shendo Jr.

LAST ORIGINAL
UPDATE: _____ **DATE:** 2/10/26 **ANALYST:** Francis

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
CIT		(\$5,000.0)	(\$5,000.0)	(\$5,000.0)		Nonrecurring	General fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
EDD		Indeterminate but minimal			Nonrecurring	General Fund
TRD		Indeterminate but minimal			Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Department of Workforce Solutions
 Economic Development Department
 Higher Education Department

Agency or Agencies That Were Asked for Analysis but did not Respond

Taxation and Revenue Department
 Department of Finance and Administration

SUMMARY

Synopsis of Senate Bill 260

Senate Bill 260 (SB 260) creates a “workforce education corporate income tax credit” of 75% for donations to public post-secondary educational institutions or school districts to fund workforce education programs, up to a maximum credit of \$750,000 per taxpayer. The credit in aggregate

is capped at \$5 million annually and is awarded on a first come first serve basis. The credit is non-refundable but it is transferable. The Economic Development Department (EDD) will process and certify applications for the credits.

Donations from taxpayers that invest in or are otherwise affiliated with an entity contracted to provide workforce education programs do not qualify for the credit.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026. The credit applies to tax year 2026 through tax year 2028.

FISCAL IMPLICATIONS

Six or seven large corporations could completely exhaust the credit. Many large corporations already donate significant amounts to universities and community colleges in a way that would likely qualify as workforce education. Legislative Finance Committee (LFC) staff assume that the credits will reach the cap every year, reducing corporate income tax revenue by \$5 million annually beginning tax year 2026 through tax year 2028.

This bill creates or expands a tax expenditure with a cost that is difficult to determine but likely significant. LFC has serious concerns about the substantial risk to state revenues from tax expenditures and the increase in revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax expenditure policy principles for vetting, targeting, and reporting or action be postponed until the implications can be more fully studied.

SIGNIFICANT ISSUES

Although the Economic Development Department (EDD) will be administering the applications, SB 260 does not mention any alignment or coordination with EDD strategies for workforce training or with the company's workforce needs. The definition of workforce education program is broad and may lead to a re-characterization of recurring corporate donations to qualify for the credit. Any corporation currently making donations to "public post-secondary educational institutions or school district" may be able to begin applying for the credit for 75% of the donation.

The Department of Workforce Solutions (DWS) suggests that the credit "would be likely to spur investment in workforce programs" but that a connection be added to link EDD with higher education or public education departments.

EDD reports that the proposed credit will support training programs aligned with industry needs. SB 260 promotes private-sector and industry investment in workforce education programs and encourages collaboration aligned with industry needs. By investing in New Mexico school districts and supporting Career & Technical Education (CTE) programs backed by the New Mexico Public Education Department, these efforts can equip students and transitioning workers with career-focused skills that are essential for advancing the State's workforce development and economic diversification objectives. SB 260 incentivizes this investment by tying a corporate income tax credit to donations for such programs.

PERFORMANCE IMPLICATIONS

The LFC tax policy principle of accountability is met through the bill's requirement that the credit be separately reported, allowing TRD to annually report to an interim legislative committee using data compiled from taxpayers claiming the credit, along with other relevant information, to assess whether the credit is meeting its intended purpose.

SB 260 creates a transferable credit. Transferability introduces a secondary market for credits, which may improve liquidity but also increases the likelihood that credits function as an indirect state expense. While transferability can help small or early-stage firms monetize credits, it may also shift the primary benefits toward larger, profitable firms purchasing credits at a discount. This means for every dollar paid by the state through a credit, the impact on the targeted economic activity is less than the dollar paid by the state because the target group sells the benefit at a discount. This reduces the economic efficiency of the public policy intervention and increases the cost greatly.

From the state's perspective, a transferable tax credit reimburses 100 percent of an activity because the credit can be sold to another taxpayer with sufficient liability to exhaust it. This effectively allows individual taxpayers to decide how public money is spent. Rather than the Legislature collectively determining funding priorities through the budget process, each taxpayer who claims the credit directs their tax dollars to a specific activity or organization of their choosing. This bypasses the normal democratic process in which elected representatives debate trade-offs and allocate resources on behalf of all taxpayers and must use procurement and other transparency processes to determine highest and best use.

The Higher Education Department (HED) notes there will be a need for coordination on the rulemaking for the program between HED, PED, and EDD:

While it may be likely that only programs leading to high-wage, in-demand jobs would be eligible, SB260 does not specify eligibility criteria. The bill also provides no guidance on program length, whether training would be non-credit or for-credit, whether credentials or degrees would be awarded, or whether credentials would be industry-recognized. These details would need to be established through rulemaking, and both NMHED and the New Mexico Public Education Department (NMPED) may need to be involved in developing these rules

ADMINISTRATIVE IMPLICATIONS

While the fiscal impact assumes a few large donations will quickly reach the aggregate cap, there may be numerous small corporate donations qualifying, creating a significant burden on EDD to administer and monitor the cap and TRD to process the credits.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.

- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✘	
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	✘ ✘ ✘	
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✔	Explicit inclusion in TER
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	✔ ✔	Separately reported credit Sunset date
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure. Fulfills stated purpose Passes “but for” test	✘ ✘	
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	✘	
Key: ✔ Met ✘ Not Met ? Unclear		