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FISCAL IMPACT REPORT

SPONSOR:	Miera	DATE TYPED:	02/13/00	HB	377
SHORT TITLE:	Education Tax Credit			SB	
				ANALYST:	Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	\$ (11,000.0)	\$ (11,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to SB417

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

State Department of Education (SDE)

SUMMARY

Synopsis of Bill

The bill would authorize a refundable personal income tax credit of \$50 per school-age child to New Mexico residents with adjusted gross income less than \$30,000. The credit is available for each child who is enrolled in a public or private school or attends a home school for any part of the taxable year.

The provisions would be effective January 1, 2000.

FISCAL IMPLICATIONS

TRD estimates a recurring general fund revenue loss of \$11,000.0.

Approximately 162,000 households with children had adjusted gross income less than \$30,000 in tax year 1998. Of the 290,000 children in these households, 75 percent or 215,000 are assumed to be over four years of age and thus would qualify.

TECHNICAL ISSUES

In its current form, the bill does not address which taxpayer takes the credit for married, filing separate returns.

OTHER SUBSTANTIVE ISSUES

TRD notes potential arguments in support of legislation for children in public schools, because public schools are a service required to be provided by the state.

According to TRD, the credit is refundable, i.e., all low-to-moderate income families would be able to realize its benefits even if state income tax liability is not incurred. The credit would be more appropriately based on modified gross income (MGI), rather than adjusted gross income (AGI). The more comprehensive measure of income is utilized to administer all of New Mexico's other refundable personal income tax credit. Use of the MGI would reduce the fiscal impact.

TRD notes is it virtually impossible to verify the school-age requirement or the school enrollment.

AW/gm