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## FISCAL IMPACT REPORT

SPONSOR: Komadina DATE TYPED: 2/18/03 HB \_\_\_\_\_

SHORT TITLE: Home School Income Tax Deduction SB 97

ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$920.0)	(\$1,000.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC files

#### Responses Received From:

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 97 proposes a \$3,500 personal income tax deduction for each dependent that attends a home school for one year. The deduction would be half this amount in cases where a child attended home school for at least half a year but less than one year. Husbands and wives that file separate returns in a year in which they could have filed a joint return would each be allowed to claim half the deduction allowed under a joint return, i.e., \$1,750. SB 97 defines 'dependent' as the term is defined under Section 152 of the Internal Revenue Code, but also includes minor children or stepchildren of a resident that would be a dependent for federal income tax purposes if public assistance contributing to support of the child or stepchild was considered to have been contributed by the resident.

**FISCAL IMPLICATIONS**

TRD notes the following assumptions regarding the fiscal impact:

According to the State Department of Education, approximately 6,500 New Mexico children currently receive home schooling. The average effective personal income tax rate is approximately 4.7 percent. Hence the \$1 million estimate shown above is the product of the exemption amount, the average rate and the number of likely deductions, i.e.,  $6,500 \times .047 \times \$3,500$ .

SN/prr