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## FISCAL IMPACT REPORT

SPONSOR: Boitano DATE TYPED: 3/7/03 HB \_\_\_\_\_

SHORT TITLE: Home Child Care Tax Credit SB 676

ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$6,275.0)	(\$6,500.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC files

#### Responses Received From

Taxation and Revenue Department (TRD)

State Department of Education (SDE)

### SUMMARY

#### Synopsis of Bill

Senate Bill 676 proposes to enact a new section of the Income Tax Act to provide a \$350 per family non-refundable credit for resident individuals and families caring for children under the age of 12 at home. The individual claimant or non-working spouse must not have a job or gainful self-employment at any time during the year. The credit offsets personal income tax liability.

### FISCAL IMPLICATIONS

TRD notes the following assumptions:

The fiscal impact is based on *Current Population Survey* and *Survey of Income Program Participation* data from the US Census, as well as information from the New Mexico personal income tax processing system.

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The estimate was constructed as follows: Of the 250,000 married household filing joint returns, 35 percent, or 87,500 are estimated to have one child under the age of 12 and of these, 22.5 percent or 19,688 have one parent not in the workforce. 29.3 percent of these households, or 5,768 have insufficient liability to claim the \$350 credit provided by the proposed legislation and therefore claim about half this amount or \$175. The remaining 13,919 claim the full \$350. Hence credits claimed by married households total  $13,919 \times \$350 + 5,768 \times \$175 = \$4,871,672 + \$1,009,477 = \$5,881,148$ . Some heads of household, married filing separate and singles are not in the workforce but care for children at home. No detailed information is available for this group regarding labor force information. It was thus assumed that credits for this group totaled 10 percent of credits claimed by married households. The final estimate was therefore  $\$5,881,148 \times 1.10 = 6,469,263$  and rounded to \$6.5 million.

SN/yr