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## FISCAL IMPACT REPORT

SPONSOR Komadina DATE TYPED 2-25-2005 HB \_\_\_\_\_  
SHORT TITLE Home School Income Tax Deduction SB 144/aSCORC  
ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(\$365)	(\$730)	(\$730)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of SCORC amendments

The SCORC amendments make technical changes to the bill. The first clarifies child eligibility for the deduction; the second requires that people claiming the deduction to attach a copy of the notification sent pursuant to Section 22-1-2.1 (the section of statute dealing with home school reporting requirements).

These amendments do not affect the fiscal impact estimate.

#### Synopsis of Original Bill

Senate Bill 144 provides an income tax deduction for taxpayers providing home school services for their children (registered with the Public Education Department). The amount of the deduction is three thousand five hundred dollars (\$3,500) per dependent child home schooled for a full year, and half that for a child home schooled for at least a half year, but not a full year.

The provisions of the bill would be applicable as of January 1, 2005.

### FISCAL IMPLICATIONS

Taxation and Revenue Department reports that there are approximately 6,250 students who are home schooled in New Mexico. Their estimate assumes that 4,000 of these would be eligible for

the full deduction; 400 would be eligible for the 50 percent deduction, and the remainder would not have sufficient tax liability to be eligible for the deduction. They assume an average applicable tax rate of 5 percent.

Multiplying the 4,000 students assumed eligible for the full deduction by the \$3,500 deduction by the 5 percent tax rate implies a revenue loss of \$700 thousand. Adding the 400 students assumed eligible for the half deduction and multiplying by \$1,750 by the 5 percent tax rate implies an additional revenue loss of \$35 thousand or so.

The estimated FY05 impact is half of the FY06 impact, and results from the January 1, 2005 applicability date.

### ADMINISTRATIVE IMPLICATIONS

TRD reports that the administrative implications are modest and could be handled with existing resources.

### OTHER SUBSTANTIVE ISSUES

TRD's report included the following graph of the state's Public Education Department home school enrollment data.

