

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:
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and
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SECTION I: GENERAL INFORMATION

Check all that apply:

Original **Amendment**
Correction **X** **Substitute**

Date Prepared: 2024-01-19
Bill No: HB166

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Agency Name ECECD 611
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
NFI	NFI		

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
(\$9,178,282.37)	(\$9,178,282.37)	(\$9,178,282.37)	Recurring	General Funds

ESTIMATED ADDITIONAL OPERATION BUDGET (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

BILL SUMMARY

HB 166 provides a tax deduction for licensed for-profit businesses that provide NM PreK and Child Care Assistance (CCA). Licensed for-profit New Mexico PreK programs and programs receiving payments for CCA would be able to deduct gross receipts taxes on funding from the Early Childhood Education and Care Department (ECECD). HB166 requires such providers to report the amount of the deduction per requirements developed by ECECD. The Taxation and Revenue Department (TRD) must report annually on the deductions to the Legislative Finance Committee and the Revenue Stabilization and Tax Policy Committee, including the number of taxpayers claiming each deduction, the amount deducted, and any other information deemed necessary.

FISCAL IMPLICATIONS

ECECD estimates that approximately \$9.2 million in reduced gross receipts tax (GRT) revenues will be impacted by this bill. Estimates are based off estimated payments made to date in FY24. For Child Care Assistance programs, GRT may be passed on to families who live at or below the federal poverty line, often times resulting in a burdensome monthly payment for families who already struggle to afford child care. In addition, ECECD has received feedback in stakeholder roundtables that the collection of gross receipts taxes from for-profit child care providers and PreK providers creates an unlevel playing field between for profit and non-profit and government entities.

HB 166 FISCAL IMPACTS BY PROGRAM

Est. GRT from Federal FY23 CC Provider Payments from EPICs*	(\$7,390,539.33)
Est. GRT from State FY24 PreK Provider Grant Awards**	(\$1,787,743.04)
Total Estimated Impact	(\$9,178,282.37)

*As adjusted by estimated GRT for applicant and removal of Non-profit providers and School based programs that receive child care assistance.

**As adjusted for removal of Non-profit and School Based PreK programs. ECECD has data limitation on the recording of tax-status and therefore may be undercounting the GRT impact, especially for PreK programs.

SIGNIFICANT ISSUES

None.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

HB166 would require ECECD to develop reporting requirements and develop reports annually to report on the amount of GRT deductions and the effectiveness of these deductions. ECECD would also need to change the way it records tax-exempt status within its data system for payments to child care providers. This would also require collaboration between TRD and ECECD to ensure alignment on reporting.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 166 is not enacted, licensed for-profit child care businesses and for-profit pre-kindergarten providers would continue to pay Gross Receipts Tax (GRT) on funding received from the Early Childhood Education and Care Department. At current, implications of GRT include higher costs to low-income families accessing child care assistance or lower revenues for child care providers and lower revenues for community-based, for-profit NM PreK providers who offer critical

services to their community.

AMENDMENTS

None.