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FISCAL IMPACT REPORT

SPONSOR: Fuller DATE TYPED: 03/04/01 HB 55
 SHORT TITLE: Home Schooling Income Tax Deduction SB _____
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (1,200.0)	\$ (1,300.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 420 and HB 421

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department
 State Department of Education

SUMMARY

Synopsis of Bill

The bill authorizes a personal income tax deduction of \$1,000 for each school age, dependent child if the taxpayer provided home schooling for the child for more than six months during the taxable year. Home schooling is defined as “home study by a parent in lieu of public or private school that provides a basic academic educational program, including reading, language arts, mathematics, social studies and science.” The school-age child is defined as a child who is between five and eighteen years old on September 1 of the school year and who has not received a high school diploma or equivalent. The qualifying age is extended to twenty-one for children who would be classified as special education membership. The deduction is authorized beginning tax year 2001.

Significant Issues

Note the per child tax reduction is not a significant amount when compared to the potential cost to families of home schooling as well as the variable costs of public education. SDE believes the bill would encourage taxpayers to home school their children, resulting in a decrease in program cost for impacted school districts. SDE estimates on average, a school district could lose \$4,924 per student, i.e. the statewide average program cost per student for the 2000-2001 40th day reporting period.

SDE notes “home schooling” is defined similar to “home school” in the Public School Act; however, the bill includes the language “instruction for a school-age child by a parent in lieu of public or private school. Both TRD and SDE discuss this issue in their analyses.

Note the deduction would not apply to pre-school age children who are home-schooled.

PERFORMANCE IMPLICATIONS

TRD recommends requiring annual standardized test for home schooled students, with the deduction available only for parents of students scoring over the state median for the age group. The concept of evaluating tax incentives for performance and tying tax incentives to performance of citizen recipient should be further explored by the state.

FISCAL IMPLICATIONS

The bill is estimated by the Taxation and Revenue Department to reduce general fund recurring revenue by \$1,200.0 in FY02 and \$1,300.0 in FY03.

ADMINISTRATIVE IMPLICATIONS

TRD and SDE note potential for administrative impacts. Since unregistered home school families would qualify for this tax deduction, TRD must determine which activities qualify or whether the deduction can be claimed simply by request. If TRD determines qualify activities, the department anticipates forms and instructions to reflect those activities must be prepared, and audit staff trained in qualifications and associated verification. However, SDE also reports that school districts would experience an administrative impact if verification of home schooling status is required.

TECHNICAL ISSUES

For consistency, the home schooling definition contained in the bill should be consistent with the home school definition in the Public School Act. Both SDE and TRD note differences in the definitions.

OTHER SUBSTANTIVE ISSUES

The fiscal estimate is based on the national average of one percent of school aged children are home-schooled by a parent. New Mexico-specific data ranges from 5,000 to 76,000. SDE reports in the Spring 1999-2000, 6,732 students were home-schooled in New Mexico.

Typically, the average income of home-schooling families is slightly above the average of all families, but only one parent works outside the home. TRD reports the in-state average adjusted gross income per family for married joint returns is about \$56,000, compared to an average for all other tax filing status categories of \$17,000. The fiscal impact assumes one-half of families benefit fully from the \$1,000 deduction and 35% of families benefit about 50% of the 1,000 per child benefit. On average, this results in state tax reduction of \$35 per home schooled child.

AW/ar