

**BILL ANALYSIS AND FISCAL IMPACT REPORT**  
**Taxation and Revenue Department**

**February 21, 2025**

**Bill:** HB-7

**Sponsor:** Representatives Linda Serrato, Javier Martínez and Patricia Roybal Caballero

**Short Title:** Children’s Future Act & Fund

**Description:** This bill enacts the Children’s Future Act, which creates a non-guaranteed share of a trust fund for individuals born in New Mexico after January 1, 2025, and who continuously retain New Mexico as that person’s primary residence. As related to the Taxation and Revenue Department (Tax & Rev), the bill adds an exemption from New Mexico income tax for money transferred to or spent on behalf of a beneficiary pursuant to the Children’s Future Act.

**Effective Date:** Not specified; 90 days following adjournment (June 20, 2025).

**Taxation and Revenue Department Analyst:** Lucinda Sydow and Sara Grubbs

Appropriation*		R or NR**	Fund(s) Affected
FY2025	FY2026		
--	\$5,000	NR	Section 8: Children’s Future Fund

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(None)				R	Section 6: General Fund - Exemption PIT

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

**Methodology for Estimated Revenue Impact: [Section 6]:** There is no revenue impact from this proposal as any exemption from Personal Income Tax (PIT) will not have occurred by FY2029 (See Technical Issues). Even if money were transferred to beneficiaries during the forecast outlook, it is unclear what form those transfers would be in and if they would be taxable under the current Income Tax Act, 7-2-1 NMSA 1978 *et seq.*

**Policy Issues:** The provisions of the Children’s Future Act and associated fund are yet to be defined as Section 7 directs a new task force to determine among other things: eligibility requirements for beneficiaries; application process and the mechanism for transferring money on behalf of beneficiaries. (See Other Issues.) The task force is also required to produce a report containing these recommendations by December 31, 2025, which will suggest implementing legislation. Furthermore, the report shall, among other things, contain “a financial plan for financing and implementing the Children’s Future Act within five years of its effective date...” Given that future legislation will be required to implement the Act, and that implementation is at least five years in the future, no fiscal impact is expected during that time frame.

Under Section 3, the purpose of the fund is described as “assist[ing] beneficiaries . . . in pursuing education, housing, entrepreneurship, retirement and investment opportunities.” This describes a vast variety of possible financial mechanisms to assist the beneficiaries. The insertion in law of a future PIT

exemption under Section 6 appears premature as it is unknown what form these transfers will occur in and therefore how the exemption may need to be more explicitly written in the law.

**Technical Issues: [Section 6]:** Tax & Rev suggests under subsection A, line 8, to add the following after “taxation” and before the “.”: “pursuant to the Income Tax Act.”

**Other Issues: [Section 6]:** Tax & Rev recommends that the Department of Finance and Administration (DFA) provide the Taxation and Revenue Department with data regarding contributions eligible for the exemption to ensure that the exemption can be verified directly from the source, rather than relying solely on self-reported data. As currently written, the PIT exemption is self-reported without any cross-checks for eligibility, which can lead to potential fraud or misuse. To accomplish this Tax & Rev recommends inserting the following under Section 6 on page 4, Line 12 as a new subsection: “C. The Department of Finance and Administration shall provide the Taxation and Revenue Department with data regarding contributions eligible for the exemption in an electronic format at regularly agreed-upon intervals. “

**Administrative & Compliance Impact:** This proposal presents an administration impact which by the definitions in Section 2 and Section 3 cannot be estimated, because it depends on the form of future implementing legislation. At the time the PIT exemption is applicable, Tax & Rev will update forms, instructions and publications and make information system changes. Staff training to administer the exemption will take place. This implementation will be included in the annual tax year changes.

**Related Bills:** Similar to SB-397 (2025 Regular Session)