

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 3, 2025

Bill: HB-177

Sponsors: Representatives Harlan Vincent, Rebecca Dow and Luis M. Terrazas

Short Title: Home School Curriculum Material Tax Credit

Description: This bill creates the home school curriculum materials income tax credit. The credit is for taxpayers who are parents, broadly defined, of school-age children who attend a home school. The credit shall be equal to the taxpayer’s expenditures on curriculum materials in the tax year the credit is claimed. The credit shall not exceed \$2,500 per school-age person attending home school.

A taxpayer’s eligibility for the credit shall be determined by the Public Education Department (PED).

Any portion of the credit which exceeds the taxpayer’s income tax liability in a particular year shall be refunded to the taxpayer. The credit shall be claimed within three taxable years of the end of the year in which the PED certifies the credit. There is no cap on the aggregate amount of credits that may be claimed by a single household, or on the aggregate amount of credits that may be claimed in any taxable year.

Effective Date: Not specified; 90 days following adjournment (June 20, 2025). Applicable to taxable years beginning on or after January 1, 2025.

Taxation and Revenue Department Analyst: Sara Grubbs

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(\$7,530-28,350)	(\$7,860-28,350)	(\$8,150-28,350)	(\$8,470-28,350)	R	General Fund

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

Methodology for Estimated Revenue Impact: The New Mexico PED publishes an annual report called “Home Schooling in New Mexico,” which tabulates the total number of home school students, kindergarten through 12th grade, per year¹. The Taxation and Revenue Department (Tax & Rev) assumes that all home schooled students in this report qualify for this tax credit per Section 1(H)(2), which broadly defines “parent” to include any “person having custody and control of a school-age person”, and subsection (H)(3), which includes all potential students within its scope. Tax & Rev estimates that the number of home school students for 2025 is 11,347, calculated using the average number of home school students over the last three school years (2021-2022 to 2023-2024).

The costs associated with home schooling can vary significantly depending on the use of tutors or paid private teachers. This credit covers the taxpayer’s expenditures on curriculum materials, which includes “resources used to guide instruction to a school-age person in a home school classroom, including textbooks, workbooks, manipulatives and other necessary course materials.” (See, “Technical Issues” below.) Tax & Rev assumes the average cost for these materials is \$625 per student for 2025².

¹ Grade levels confirmed per personal correspondence with Homeschool & Federal Programs Administrator, Options for Parents & Families Division, New Mexico Public Education Department, 1-30-2025

² This includes curriculum and testing fees, books and supplies, and field trips, <https://trustedcare.com/costs/homeschool-cost>

Tax & Rev estimated the lower range of the revenue impact by multiplying the average cost of \$625 by the number of qualified students for FY2025. Tax & Rev then grew this for FY2026 through FY2029 by the Congressional Budget Office's (CBO) inflation forecast to account for increasing costs of curriculum materials.

Because the bill's definition of "curriculum materials" includes "other necessary course materials," the credit may be construed to include a wide range of items. For example, a parent may purchase a \$2,500 computer and receive 100% refundable tax credit under this bill. Therefore, this credit may induce qualified taxpayers to increase their qualified home-schooling curriculum expenditures, potentially spending up to the credit maximum of \$2,500. Therefore Tax & Rev includes this as the upper bound of the range. There is no aggregate annual cap on the amount of credits that may be claimed, and so the estimate has no ceiling.

Policy Issues: Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 25 percent of the state's recurring general fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of taxable income and ties to other statutes in the federal tax code. This is referred to as "conformity" to the federal tax code. PIT is an important tax policy tool that has the potential to further both horizontal equity 'by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers' ability to pay. This credit erodes horizontal equity by basing the credit on a taxpayer's choice of home schooling for their children, thus taxpayers in similar economic circumstances are no longer treated equally.

Currently a number of states have similar credits or deductions to offset the cost of homeschooling expenses, including Illinois, Indiana, Iowa, Louisiana, Minnesota, and Ohio. Minnesota allows a \$1,600 to \$2,500 deduction for qualifying home school education fees³. Louisiana permits homeschool tax deductions up to \$5,000 per year.⁴

This credit does not limit the number of eligible students per year. If the number of eligible home-schooled students increases, the total revenue impact to the state could also substantially increase. In the 2023-2024 school year, there was an average of 311,284 students in the New Mexico public school system⁵, of which 4% were home-schooled.

This credit does not have a sunset date with a delayed repeal. Tax & Rev supports sunset dates for policymakers to review the impact of a tax credit or other tax incentive before extending it if a sufficient timeframe is allotted for tax incentives to be measured. A delayed repeal promotes accuracy, brevity, and clarity in the tax code.

Technical Issues: None.

Other Issues: Tax & Rev highlights the following definitions that may need further clarification and definition for PED to certify efficiently the taxpayer's eligibility.

³ <https://www.revenue.state.mn.us/home-school-expenses>

⁴ [School Expense Deduction - Louisiana Department of Revenue](#)

⁵ New Mexico Public Education Department, NM Vistas; https://nmvistas.org/New_Mexico; accessed 1-30-2025

Section (1)(H)(1), Page 3, lines 13 through 16, defines “curriculum materials” very broadly, to include “resources used to guide home instruction to a school-age person in a home school classroom...” without any requirement that such materials meet educational standards or be otherwise certified, Tax & Rev recommends adding language similar to that on page 1, lines 21 through 23, “that meet the requirements for educational instruction in a home school pursuant to the Public School Code,” at the end of this subsection.

Tax & Rev notes that the definition of “curriculum materials” is not clear as to whether electronic devices such as computers or tablets or the cost of computer applications are included. Inclusion of these items would substantially increase the potential cost of the credit. The term “manipulatives” is not self-defining. The definition could be “objects such as blocks which students are instructed to use in a manner which teaches or reinforces a lesson such as fraction strips, interlocking cubes and tiles.”

Under Section 1, Subsection H(3), the definition of “school-age person”, is similar to the definition of qualified student in Section 22-8-2(O) NMSA 1978 in the Public School Finance Act. The definition in this bill is narrower than the one in the Public School Finance Act. This bill’s definition does state “and meets other criteria provided in the Public School Finance Act,” but does not explain the criteria. Public School Finance Act states “(d) has reached the student's twenty-second birthday on the first day of the 2019-2020 school year, is counted in a school district's or charter school's membership on the third reporting date of the 2018-2019 school year, has been continuously enrolled in the same public school since that reporting date and is still enrolled in that school;” this section may conflict with the requirement for the school-age person to be home schooled.

Tax & Rev is now required by Section 7-1-84 NMSA 1978 to compile and present a tax expenditure budget, which includes the number of taxpayers that claim and the amount of claims for a tax expenditure. Credits are tax expenditures and will be included on this report. For that reason, Tax & Rev recommends that on page 3, Subsection G., lines 10 and 11, “including the total annual aggregate cost of the credit” is stricken.

Administrative & Compliance Impact: Tax and Rev will update forms, instructions and publications and make information system changes. Staff training to administer the credit will occur. This implementation will be included in the annual tax year changes.

Tax & Rev’s Administrative Services Division (ASD) will test credit sourcing and perform other systems testing. It is anticipated this work will take approximately 40 hours split between 2 FTE of a pay band 70 and a pay band 80 at a cost of approximately \$2,500. Pay band 70 hours are estimated at time and ½ due to extra hours worked required for implementation.

Tax & Rev’s Information Technology Division (ITD) will implement the changes in GenTax, the tax system of record. This credit will have a moderate impact on ITD, taking approximately 680 hours or about 4.5 months for an estimated staff workload cost of \$45,315. The estimate includes a data interface between Tax & Rev and the PED.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year Total Cost		
--	\$2.5	--	\$2.5	NR	Tax & Rev – ASD - Operating
\$45.3			\$45.3	NR	Tax & Rev – ITD – Staff workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).