

LFC Requester:

Laird Graeser

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov
(Analysis must be uploaded as a PDF)**

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

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

Date Prepared: 2025-02-11
Bill No: SB335

Sponsor(s) Michael Padilla
:

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Short Title: FOSTER PARENT & GUARDIAN TAX CREDIT

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

ESTIMATED ADDITIONAL OPERATION BUDGET (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

BILL SUMMARY

Senate Bill (SB335) proposes giving a tax credit to foster parents licensed or certified by the Children, Youth and Families Department (CYFD) or a guardian in an amount equal to \$500 for each month they serve as a foster parent or guardian for more than half of the month, up to a maximum of \$6,000 per taxable year. This is a refundable credit.

Key Provisions:

- * **Eligibility:** The tax credit is available to New Mexico residents who are foster parents or guardians of a child, provided they are not claimed as dependents by another individual.
- * **Credit Amount:** Eligible taxpayers can claim a credit of \$500 for each month they serve as a foster parent or guardian for more than half of that month, up to a maximum of \$6,000 per taxable year.
- * **Certification Process:** Foster care families must obtain a certificate of eligibility from the Children, Youth, and Families Department (CYFD), which will verify their status and the applicable credit amount.
- * **Refundability:** The excess amount will be refunded if the credit exceeds the taxpayer's income tax liability.
- * **Married Individuals Filing Separately:** Such individuals may each claim only half of the credit that would have been available on a joint return.

Definitions:

- * **Foster Parent:** A person licensed or certified by the CYFD or a child placement agency to care for children in their custody.
- * **Guardian:** A person appointed by a court or tribal authority under the Kinship Guardianship Act, excluding guardians ad litem.

FISCAL IMPLICATIONS

The fiscal impact associated with implementing SB 335 will be minimized by leveraging CYFD's existing resources, infrastructure, and future hiring plans. While initial estimates projected the need for five additional IT positions and \$938.6 thousand in funding for system development, CYFD needs to clarify that these responsibilities would be integrated into positions the agency is already planning to hire and fill. Additionally, existing staff will address technical needs by utilizing current infrastructure, interfaces, contracts, and methodologies to ensure compliance with IRS and State of New Mexico Taxation and Revenue Department (TRD) requirements.

Rather than requiring a wholly new system, CYFD will build upon its current IT environment, which already aligns with FISMA/NIST 800-53 and IRS Publication 1075 standards. This strategic approach ensures that compliance, data retention, and scalability for new and existing foster parents can be managed within CYFD's existing framework. The agency will also assess whether an interface with SHARE is necessary for fiscal reporting and transactions, but any additional software implementation and maintenance costs—previously estimated at \$750.0 thousand per year—will be significantly mitigated by maximizing current resources and streamlining processes within CYFD's operational capacity.

As of February 7, 2025, CYFD has 1064 licensed foster care families that this would potentially benefit.

SIGNIFICANT ISSUES

Senate Bill 335 provides a direct and immediate benefit to foster families by providing financial relief through a refundable tax credit, helping offset the costs associated with fostering.

1. **Immediate Support:** SB 335 provides an immediate financial benefit through a refundable tax credit, putting money directly into the hands of foster parents without bureaucratic delays.
2. **Support for All Foster Families and Guardians:** A key distinction of Senate Bill 335 is that it extends financial relief not just to foster parents licensed through CYFD but also to guardians who are not part of the CYFD system, such as grandparents and other kinship caregivers raising their grandchildren. Many of these caregivers do not receive foster care maintenance payments and often live on fixed or limited incomes, making the cost of raising a child—covering food, housing, healthcare, and education—especially burdensome. Unlike an increase in maintenance payments which only benefits families caring for children formally

placed through CYFD, this tax credit provides direct financial assistance to guardians who have taken on the responsibility of raising children outside of the formal foster care system.

3. Retention & Recruitment Impact: While raising maintenance rates is important, financial incentives like tax credits are proven tools for retention and recruitment. A refundable credit allows foster families to recover costs that are not covered by maintenance payments, such as transportation, extracurricular activities, and other quality-of-life expenses for children in care. This flexibility makes fostering more financially sustainable.

4. Complementary, Not Redundant: The bill does not preclude the state from simultaneously increasing maintenance rates in the future. Instead, it provides an additional, efficient way to supplement financial support for foster parents without being dependent on federal approval processes.

5. Maximizing State Investment: While Title IV-E reimbursement brings in federal dollars, it does not cover the full cost of fostering, nor does it provide direct, discretionary income to foster families. SB 335 ensures that state funds go directly to the individuals providing care, rather than being tied up in administrative processes or limited by federal eligibility rules.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

- * House Bill 207, which would expand the Special Needs Adopted Child Tax Credit to all adopted children;
- * Senate Bill 272, which would exempt foster parents or grandparent guardians/adoptive parents from the personal income tax;
- * Senate Bill 284, which would change Insurance Code to prevent the disqualification of foster children from coverage under homeowners insurance;
- * Senate Bill 304, which would create the Qualifying Foster care Organization Income Tax Credit; and
- * Senate Bill 305, which would establish the Quality Foster Parent Recruitment and Retention Task Force

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

The LFC budget recommendation includes \$100,000 to study foster care maintenance rates; however, a study does not provide immediate financial support to foster parents. In contrast, SB 335 takes action now to ease the financial burdens that foster parents face while broader funding discussions are ongoing.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Many foster parents face substantial expenses related to childcare, medical needs, and daily living costs that state stipends do not fully cover. By offering up to \$6,000 annually, this bill provides a tangible incentive for existing foster parents to continue their role, reducing financial strain. Additionally, financial support can improve placement stability. Retaining experienced foster families is critical to maintaining a strong and reliable foster care system, ultimately benefiting the well-being and development of children in state custody. By including guardians, SB 335 fills a critical gap in support and ensures that all caregivers providing stable, loving homes receive much-needed financial relief. This approach promotes fairness and consistency in supporting all resource families.

AMENDMENTS

None.