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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>HB324</u>	Sponsor	<u>Montoya/Henry/Duncan</u>
Tracking Number	<u>.229054.2</u>	Committee Referrals	<u>HEC/HTRC</u>
Short Title	<u>Educational Scholarships & Tax Credit</u>		
Analyst	<u>Estupiñan</u>	Original Date	<u>2/27/2025</u>
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BILL SUMMARY

Synopsis of Bill

House Bill 324 (HB324) would create the educational scholarship income and corporate income tax credit for those who contribute to a school tuition organization that awards educational scholarships for low-income students attending private schools.

The bill would apply to taxable years beginning on or after January 1, 2025.

FISCAL IMPACT

HB324 does not contain an appropriation.

HB324 would permit a taxpayer to claim a credit against their personal income tax liability in an amount not to exceed \$700 for single individuals and \$1,400 for heads of households and those filing joint returns. This amount would be adjusted for inflation on an annual basis.

The bill also allows a taxpayer to claim a credit against their corporate income tax liability in an amount not to exceed \$1,400, which would be adjusted for inflation on an annual basis.

While it is difficult to estimate the number of taxpayers who may contribute to a tuition scholarship organization because of HB324, the Taxation and Revenue Department (TRD) has included an initial estimate of fiscal impact of \$2.5 million in previous iterations of this bill. The fiscal impact may increase as the size of the available credit increases due to inflation.

SUBSTANTIVE ISSUES

Number of Private School Students in New Mexico. There are a total of 22.2 thousand students who were enrolled in 164 private schools in the state during the 2020-2021 school year, as reported by the National Center of Education Statistics. Approximately 52 percent of public school students are estimated to be below 185 percent of the federal poverty level, according to statewide data gathered by the family income index (FII) pilot program. This threshold is the same that is used

by the federal government in determining eligibility for reduced price lunch, as included in the student eligibility section of HB324.

HB324 would permit the Public Education Department (PED) to authorize school tuition organizations to distribute educational scholarships to eligible students attending a private school in New Mexico. The bill lists criteria that a school tuition organization must meet to qualify for authorization for the educational scholarship income and corporate income tax credit by PED, including:

- Allocate at least 90 percent of the organization's annual revenue received from contributions for educational scholarships to eligible students to attend private schools in New Mexico;
- Not limit the availability of educational scholarships to students of only one private school;
- Not allow donors to designate student beneficiaries as a condition of any contribution to the organization or facilitate, encourage or knowingly allow the exchange of beneficiary student designations;
- Include on the organization's website, if one exists, the percentage and total dollar amount of educational scholarships awarded during the previous fiscal year;
- Award educational scholarships only to eligible students; and
- Not award educational scholarships to attend a public, tribal, or federal bureau of Indian education school.

HB324 requires any amount exceeding the tuition of a private school to be returned to the school tuition organization, thereby barring a student from utilizing the funds for other costs of attending school, including instructional materials, housing, transportation, and any miscellaneous fees levied by the private school. An organization may, however, allow the returned amount to be used by the same student over several years, or that it be redistributed to other eligible students.

HB324 places reporting requirements onto school tuition organizations, including an annual disclosure of the total number of contributions they received in the prior fiscal year, the total dollar amount of those contributions, and the total number of eligible students that received educational scholarships. Any private school serving students who receive educational scholarships must also disclose the number of educational scholarships they receive along with the total dollar amount of those scholarships. This information must be published on PED's website on or before January 1 of the calendar year following the year in which the information is received.

HB324 would also require a school tuition organization receiving more than \$500 thousand in donations to a financial audit by an independent certified public accountant (CPA). If a school tuition organization receives less than \$500 thousand in total donations, they would be subject to financial review by an independent CPA. The costs of completing the audits and financial reviews would be incurred by the school tuition organization and would be required to be submitted to PED.

ADMINISTRATIVE IMPLICATIONS

SB113 places several requirements onto PED, including:

- Maintaining a public registry of authorized school tuition organizations;
- Making the registry available to the public on request; and
- Posting the registry on the department's website.

PED estimates it may require one additional full-time employee to administer provisions of the bill.

TECHNICAL ISSUES

HB324 requires the tax credit to be adjusted for inflation but the bill does not define what methodology would be used in fulfilling that requirement. The sponsor may consider amending the bill to specify the methodology for calculating the inflation adjustment.

SOURCES OF INFORMATION

- LESC Files
- Taxation and Revenue Department (TRD)
- Public Education Department (PED)

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