

1 HOUSE BILL 324

2 **57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025**

3 INTRODUCED BY

4 Rod Montoya and Jonathan A. Henry and Mark Duncan

5  
6  
7  
8  
9  
10 AN ACT

11 RELATING TO PRIVATE EDUCATION; PROVIDING FOR THE AUTHORIZATION  
12 OF SCHOOL TUITION ORGANIZATIONS TO AWARD EDUCATIONAL  
13 SCHOLARSHIPS TO CERTAIN LOW-INCOME STUDENTS TO ATTEND PRIVATE  
14 SCHOOLS; CREATING THE EDUCATIONAL SCHOLARSHIP INCOME TAX CREDIT  
15 AND THE EDUCATIONAL SCHOLARSHIP CORPORATE INCOME TAX CREDIT.

16  
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

18 SECTION 1. [NEW MATERIAL] SCHOOL TUITION ORGANIZATIONS--  
19 AUTHORIZATION TO AWARD EDUCATIONAL SCHOLARSHIPS TO PRIVATE  
20 SCHOOLS.--

21 A. The department may authorize a school tuition  
22 organization to award educational scholarships to eligible  
23 students to attend a private school in New Mexico of the  
24 students' parents' choice pursuant to this section.

25 B. A school tuition organization shall apply for

.229054.2

underscored material = new  
[bracketed material] = delete

1 authorization on forms and in a manner prescribed by the  
2 department. To be eligible as a school tuition organization,  
3 the organization shall:

4 (1) allocate at least ninety percent of the  
5 organization's annual revenue received from contributions for  
6 educational scholarships to eligible students to attend private  
7 schools in New Mexico;

8 (2) not limit the availability of educational  
9 scholarships to students of only one private school;

10 (3) not allow donors to designate student  
11 beneficiaries as a condition of any contribution to the  
12 organization or facilitate, encourage or knowingly allow the  
13 exchange of beneficiary student designations;

14 (4) include on the organization's website, if  
15 one exists, the percentage and total dollar amount of  
16 educational scholarships awarded during the previous fiscal  
17 year;

18 (5) award educational scholarships only to  
19 eligible students; and

20 (6) not award educational scholarships to  
21 attend a public, tribal or federal bureau of Indian education  
22 school.

23 C. If an individual educational scholarship exceeds  
24 the tuition of the private school that an eligible student  
25 attends, the amount in excess shall be returned to the school

.229054.2

1 tuition organization that made the award. The school tuition  
2 organization may allocate the returned amount:

- 3 (1) as a multi-year award for that student; or  
4 (2) for educational scholarships for other  
5 eligible students.

6 D. On or before September 30 of each year, each  
7 school tuition organization shall report electronically to the  
8 department, in a form prescribed by the department, the  
9 following information:

10 (1) the name, address and contact person of  
11 the school tuition organization;

12 (2) the names, job titles and annual salaries  
13 of the three employees who receive the highest annual salaries  
14 from the school tuition organization;

15 (3) the total number of contributions received  
16 during the previous fiscal year;

17 (4) the total dollar amount of contributions  
18 received during the previous fiscal year;

19 (5) the total number of eligible students  
20 awarded educational scholarships during the previous fiscal  
21 year;

22 (6) the total dollar amount of educational  
23 scholarships awarded during the previous fiscal year;

24 (7) the total dollar amount of money being  
25 held for eligible students' scholarships in future years,

.229054.2

1 including the amount allocated as a multi-year award pursuant  
2 to Paragraph (1) of Subsection C of this section, with each  
3 eligible student identified;

4 (8) for each private school to which  
5 educational scholarships were awarded:

6 (a) the name and address of the private  
7 school;

8 (b) the number of educational  
9 scholarships awarded during the previous fiscal year; and

10 (c) the total dollar amount of  
11 educational scholarships awarded during the previous fiscal  
12 year; and

13 (9) the cost of an audit or financial review  
14 required pursuant to Subsections F and G of this section paid  
15 during the fiscal year.

16 E. The department shall post on its website a  
17 report of the information it receives pursuant to Subsection D  
18 of this section on or before January 1 of the calendar year  
19 following the year in which the information is received.

20 F. On or before September 30 of each year, a school  
21 tuition organization that received five hundred thousand  
22 dollars (\$500,000) or more in contributions in the previous  
23 fiscal year shall provide for a financial audit of the  
24 organization. The audit shall be conducted by an independent  
25 certified public accountant licensed pursuant to the 1999

.229054.2

underscoring material = new  
~~[bracketed material] = delete~~

1 Public Accountancy Act in accordance with generally accepted  
2 auditing standards and shall evaluate the organization's  
3 compliance with Paragraph (1) of Subsection B of this section.  
4 The independent certified public accountant and any firm the  
5 accountant is affiliated with shall be independent with respect  
6 to the organization and its officers and directors, services  
7 performed by the organization and all other independent  
8 relationships of the organization, as prescribed by generally  
9 accepted auditing standards.

10 G. On or before September 30 of each year, a school  
11 tuition organization that received less than five hundred  
12 thousand dollars (\$500,000) in total donations in the previous  
13 fiscal year shall provide for a financial review of the  
14 organization. The review shall be conducted by an independent  
15 certified public accountant licensed pursuant to the 1999  
16 Public Accountancy Act in accordance with generally accepted  
17 standards for accounting and review services and shall evaluate  
18 the organization's compliance with the fiscal requirements of  
19 this section. The independent certified public accountant and  
20 any firm the certified public accountant is affiliated with  
21 shall be independent with respect to the organization and its  
22 officers and directors, services performed by the organization  
23 and all other independent relationships of the organization, as  
24 prescribed by generally accepted auditing standards.

25 H. Within five days after receiving an audit or

.229054.2

1 financial review, the school tuition organization shall file a  
2 signed copy of the audit or financial review with the  
3 department. The school tuition organization shall pay the fees  
4 and costs of the audit or financial review from the  
5 organization's operating budget. The fees and costs shall be  
6 excluded from the calculation of revenues spent on educational  
7 scholarships.

8 I. The department shall:

9 (1) maintain a public registry of authorized  
10 school tuition organizations;

11 (2) make the registry available to the public  
12 on request; and

13 (3) post the registry on the department's  
14 website.

15 J. As used in this section:

16 (1) "department" means the public education  
17 department;

18 (2) "eligible student" means a qualified  
19 student, as defined in the Public School Finance Act, who  
20 resides in New Mexico and is member of a household for which  
21 the total annual income does not exceed an amount used to  
22 qualify for a reduced-price lunch through the federal school  
23 lunch programs established pursuant to 42 USCA Sections 1751  
24 through 1769, as amended; provided that once a student becomes  
25 an eligible student, receives an educational scholarship and

.229054.2

underscoring material = new  
~~[bracketed material] = delete~~

1 continuously attends the private school, the student shall  
2 remain an eligible student regardless of household income until  
3 the student graduates from high school or reaches twenty-one  
4 years of age, and:

5 (a) attended a public school in New  
6 Mexico as a full-time student for at least one full semester  
7 immediately prior to receiving an educational scholarship and  
8 enrolling in and transferring to a private school; or

9 (b) attended, as a full-time student, a  
10 home school in New Mexico that meets the requirements of the  
11 Public School Code for at least one full semester immediately  
12 prior to receiving an educational scholarship and enrolling in  
13 and transferring to a private school;

14 (3) "nonprofit organization" means an  
15 organization that has been granted exemption from the federal  
16 income tax by the United States commissioner of internal  
17 revenue as organizations described in Section 501(c)(3) of the  
18 United States Internal Revenue Code of 1986, as amended or  
19 renumbered; and

20 (4) "school tuition organization" means a  
21 nonprofit organization with a principal place of business in  
22 New Mexico that provides educational scholarships to eligible  
23 students attending private schools in New Mexico of their  
24 parents' choice."

25 SECTION 2. A new section of the Income Tax Act is enacted

.229054.2

underscoring material = new  
~~[bracketed material] = delete~~

1 to read:

2 "[NEW MATERIAL] EDUCATIONAL SCHOLARSHIP INCOME TAX  
3 CREDIT.--

4 A. A taxpayer who is not a dependent of another  
5 individual and who makes a contribution to a school tuition  
6 organization pursuant to Section 1 of this 2025 act may apply  
7 for, and the department may allow, a credit against the  
8 taxpayer's tax liability imposed pursuant to the Income Tax  
9 Act. The tax credit provided by this section may be referred  
10 to as the "educational scholarship income tax credit".

11 B. The amount of the tax credit allowed by this  
12 section shall be in an amount equal to the amount contributed  
13 to a school tuition organization in a taxable year, not to  
14 exceed seven hundred dollars (\$700) for single individuals and  
15 married individuals filing separate returns and one thousand  
16 four hundred dollars (\$1,400) for heads of household, surviving  
17 spouses and married individuals filing joint returns; provided  
18 that for the taxable year beginning January 1, 2026 and each  
19 taxable year thereafter, the amount of credit shall be adjusted  
20 to account for inflation. The department shall allow a tax  
21 credit only for a contribution certified pursuant to Subsection  
22 C of this section.

23 C. A taxpayer shall apply for certification of  
24 eligibility for the tax credit allowed by this section from the  
25 public education department on forms and in the manner

.229054.2



1 prescribed by that department. The application shall include  
2 evidence of a contribution to a school tuition organization  
3 made pursuant to Section 1 of this 2025 act.

4 D. A taxpayer may claim the tax credit allowed by  
5 this section for the taxable year in which the taxpayer makes a  
6 contribution to a school tuition organization. To receive the  
7 tax credit, a taxpayer shall apply to the department on forms  
8 and in the manner prescribed by the department within twelve  
9 months following the calendar year in which the contribution is  
10 made. The application shall include a certification made  
11 pursuant to Subsection C of this section.

12 E. That portion of the credit that exceeds a  
13 taxpayer's tax liability in the taxable year in which the  
14 credit is claimed shall not be refunded to the taxpayer but may  
15 be carried forward for the following three consecutive taxable  
16 years until the amount of the tax credit is exhausted.

17 F. A taxpayer allowed a tax credit pursuant to this  
18 section shall report the amount of the tax credit to the  
19 department in a manner required by that department.

20 G. The credit provided by this section shall be  
21 included in the tax expenditure budget pursuant to Section  
22 7-1-84 NMSA 1978, including the total annual aggregate cost of  
23 the credit."

24 SECTION 3. A new section of the Corporate Income and  
25 Franchise Tax Act is enacted to read:

.229054.2

1           "[NEW MATERIAL] EDUCATIONAL SCHOLARSHIP CORPORATE INCOME

2 TAX CREDIT.--

3           A. A taxpayer that makes a contribution to a school  
4 tuition organization pursuant to Section 1 of this 2025 act may  
5 apply for, and the department may allow, a credit against the  
6 taxpayer's tax liability imposed pursuant to the Corporate  
7 Income and Franchise Tax Act. The tax credit provided by this  
8 section may be referred to as the "educational scholarship  
9 corporate income tax credit".

10           B. The amount of the tax credit allowed by this  
11 section shall be in an amount equal to the amount contributed  
12 to a school tuition organization in a taxable year, not to  
13 exceed one thousand four hundred dollars (\$1,400); provided  
14 that for the taxable year beginning January 1, 2026 and each  
15 taxable year thereafter, the amount of credit shall be adjusted  
16 to account for inflation. The department shall allow a tax  
17 credit only for a contribution certified pursuant to Subsection  
18 C of this section.

19           C. A taxpayer shall apply for certification of  
20 eligibility for the tax credit allowed by this section from the  
21 public education department on forms and in the manner  
22 prescribed by that department. The application shall include  
23 evidence of a contribution to a school tuition organization  
24 made pursuant to Section 1 of this 2025 act.

25           D. A taxpayer may claim the tax credit allowed by

.229054.2

1 this section for the taxable year in which the taxpayer makes a  
2 contribution to a school tuition organization. To receive the  
3 tax credit, a taxpayer shall apply to the department on forms  
4 and in the manner prescribed by the department within twelve  
5 months following the calendar year in which the contribution is  
6 made. The application shall include a certification made  
7 pursuant to Subsection C of this section.

8 E. That portion of the credit that exceeds a  
9 taxpayer's tax liability in the taxable year in which the  
10 credit is claimed shall not be refunded to the taxpayer but may  
11 be carried forward for the following three consecutive taxable  
12 years until the amount of the tax credit is exhausted.

13 F. A taxpayer allowed a tax credit pursuant to this  
14 section shall report the amount of the tax credit to the  
15 department in a manner required by that department.

16 G. The credit provided by this section shall be  
17 included in the tax expenditure budget pursuant to Section  
18 7-1-84 NMSA 1978, including the total annual aggregate cost of  
19 the credit."

20 SECTION 4. APPLICABILITY.--The provisions of Sections 2  
21 and 3 of this act apply to taxable years beginning on or after  
22 January 1, 2025.