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**FISCAL IMPACT REPORT**

SPONSOR:	Lujan	DATE TYPED:	01/25/00	HB	37
SHORT TITLE:	Low Income Early Childhood Advantage Credit			SB	
				ANALYST:	Williams

**REVENUE**

Estimated Revenue		Subsequent	Recurring	Fund
FY00	FY01	Years Impact	or Non-Rec	Affected
	\$ (29,000.0)	\$ (29,000.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

**SOURCES OF INFORMATION**

Taxation and Revenue Department (TRD)

## **SUMMARY**

### Synopsis of Bill

Authorizes a new Early Childhood Advantage Tax Credit of \$225 for low income comprehensive tax rebate (LICTR)-eligible dependents age 6 or below, with the total credit capped at \$675, i.e. three children. Increases the LICTR by 20% for households with more than one LICTR exemption and modified gross income greater than \$3,500. Authorizes two additional LICTR exemptions for each child.

Codifies Taxation and Revenue Department administrative practice of prohibiting a filer or spouse who are inmates from claiming refundable rebates and credits. Also, prohibits taking LICTR exemptions for institutionalized dependents who are inmates for more than six months of the tax year and also those who are not physically present in New Mexico for at least six months of the tax year.

Effective date is January 1, 2000.

## **FISCAL IMPLICATIONS**

According to TRD, recurring revenue loss estimated at \$29,000.0 thousand for General Fund beginning FY01.

The Early Childhood Advantage Tax Credit is estimated to reduce revenues by approximately \$14,500.0 based on an estimated 60,000 to 70,000 LICTR-eligible children six years and under in New Mexico. Given this assumption, the range on this estimate is about \$13,500.0 to \$15,750.0. There are not many households which are expected to be impacted by the 3 child cap on this credit.

The changes in the LICTR program are considered jointly, and result in a revenue decrease to the General Fund of about \$15,000.0. Taken individually, the 20% increase in certain LICTR is estimated to cost \$2,900.0 assuming no change in LICTR exemptions, while increasing the number of LICTR exemptions for children as specified in the bill, without the 20% increase, would cost from \$7,000.0 to \$8,000.0.

Eliminating exemptions for dependents institutionalized for six months of the tax year would have a minor fiscal impact of approximately \$1.0 per year.

### **ADMINISTRATIVE IMPLICATIONS**

TRD notes these changes can be implemented using existing resources.

### **OTHER SUBSTANTIVE ISSUES**

TRD discusses regressivity and equity issues in its analysis.

AW/njw