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FISCAL IMPACT REPORT

SPONSOR:	Lopez	DATE TYPED:	02/02/00	HB	
SHORT TITLE:	Early Childhood Advantage Credit			SB	284
				ANALYST:	Williams

REVENUE

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

(Parenthesis () Indicate Revenue Decreases)

Relates to SB81, HB37, HB210

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, equity issues and current LICTR beneficiaries characteristics in its analysis.

DISTRIBUTIONAL IMPACTS

According to TRD analysis, households with children would receive an additional \$13,900.0 in LICTR and \$15,000.0 in early childhood advantage credit, bringing total benefits to \$41,600.0. This represents an average of \$373 per household, \$209 per child and \$124 per person.

Elderly households would receive an additional \$609.3 in LICTR, with average benefits per household at \$168 and average benefits per person at \$145. Those elderly with children would receive additional benefits.

Finally, a small amount, an average of \$6 per person is the estimated additional benefit for non-elderly households without children, for total additional benefits of \$880.0.

AW/gm