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FISCAL IMPACT REPORT

SPONSOR: Russell DATE TYPED: 02/23/01 HB 422
 SHORT TITLE: Tuition Scholarship Tax Credit SB _____
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (1,000.0)	\$ (10,700.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to HB 55, HB 420, HB 421

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department (TRD)
 State Department of Education (SDE)

SUMMARY

Synopsis of Bill

The bill authorizes a non-refundable, personal income tax credit for contributions to a New Mexico school for tuition scholarships for low income students, i.e. up to 185% of the poverty level. The credit is not to exceed \$500. A tuition scholarship for a low income student must not exceed 95 percent of the cost of tuition to attend the school. The taxpayer cannot designate an individual student as intended beneficiary of the contribution. The school must provide a receipt to the taxpayer. The credit would be effective beginning tax year 2001.

Significant Issues

According to the distribution of income as reported on tax returns, 47.3% of New Mexico's population is at or below 185% of poverty.

If the school is organized as a non-profit, then the donation may also be deducted for federal and state income tax purposes.

SDE notes pre-school programs would not be eligible.

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SDE notes the bill does not specify the type of accreditation that would be required.

FISCAL IMPLICATIONS

TRD estimates the fiscal impact in the first year at a general fund revenue loss of \$1,000.0. In the second year, the revenue loss is estimated at \$10,700.0 as schools and parents adjust their behavior to fully maximize their tax advantages under the law.

OTHER SUBSTANTIVE ISSUES

TRD notes concerns about state money devoted to education be appropriated to public schools.

AW/ar