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## **FISCAL IMPACT REPORT**



**SPONSOR:** Kidd **DATE TYPED:** 02/06/02 **HB**

**SHORT TITLE:** Job Mentorship Tax Credit **SB** 186/aSCORC

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**ANALYST:** Smith

### **REVENUE**

<b>Estimated Revenue</b>		<b>Subsequent Years Impact</b>	<b>Recurring or Non-Rec</b>	<b>Fund Affected</b>
<b>FY02</b>	<b>FY03</b>			
	(\$375.0)	(\$912.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates HB 92, SB 130

### **SOURCES OF INFORMATION**

LFC Files  
Taxation and Revenue Department (TRD)

### **SUMMARY**

#### Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendment allows the credit for students in post secondary institutions.

#### Synopsis of Original Bill

Senate Bill 186 amends the Income Tax Act to provide income and corporate income tax credits for the employment of youth participating in career preparation education programs. The business claiming the credit can claim up to 50 percent of the gross wages paid to qualified students during any one-tax year. The business is limited to a maximum of ten students employed for up to 320 hours per year for three years per students. The credit has a ceiling of \$12.0 in any one-tax year.

TRD is required to issue job mentorship tax credit certificates upon request by any accredited New Mexico secondary school. The maximum number of certificates issues is dependent on the number of qualifying students in school-sanctioned career preparation programs on October 15.

## **FISCAL IMPLICATIONS**

TRD cites personal income statistics for tax year 2000 show job mentorship tax credits totaled \$36.4 (Report TR-11, run on 11/09/01). A similar report for tax year 1999 run on the same date lists \$25.6 in claims. Statistics are not available on corporate income tax claims, although they are likely

to be large compared with personal income tax claims because of the larger base of employees to tax liability

The TRD estimate makes the following assumptions:

- (1) Job mentorship credits claimed against corporate income tax equal five times claims against personal income tax;
- (2) Total claims would increase by a factor of four in the short run if the limit on the number of program participants is removed.

Using these assumptions and the personal income tax claims from tax year 2000 as the base, total claims were about \$216 thousand in that year and would increase to about \$864 thousand if the program limit is removed. The FY 2003 estimate assumes there will be a gradual ramp-up of the program during that year, while the full year estimate assumes a fully phased-in program with some growth over the TY 2000 levels.

## **OTHER SUBSTANTIVE ISSUES**

SB 186 would make the job mentorship income tax credit program, which was established in 1999 as a pilot, permanent. Its purpose was to encourage businesses to hire young people that are participating in career preparation education programs by providing tax credits for employing the young people.

SB 186 changes the original program in one major way - the original program was limited to participation by 1,000 students.

According to TRD the cost to a business of hiring a student for 300 hours at, for example \$8 per hour, would be reduced from \$2,400 to \$1,280 after taxes.

SN/ar/njw