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FISCAL IMPACT REPORT

| SPONSOR | Kys | ar | DATE TYPED | 02-10-04 | HB | |
|------------|-----|------------------------|--------------------|----------|------|--------|
| SHORT TITL | LΕ | Extracurricular Activi | ity Income Tax Cre | edit | SB | 512 |
| | | | | ANAI | LYST | Taylor |

REVENUE

| Estimated Revenue | | Subsequent | Recurring | Fund | |
|-------------------|-----------|--------------|------------|--------------|--|
| FY04 | FY05 | Years Impact | or Non-Rec | Affected | |
| (2,000.0) | (8,000.0) | Significant | Recurring | General Fund | |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Taxation and Revenue Department (TRD)

SUMMARY

Senate Bill 512 provides a personal income tax credit equal to the amount of cash contributions during the tax year to public school districts for support of extracurricular activities. Unused portions of the credit may be carried forward for up to four consecutive years. The credit is to be used in place of the federal deduction provided pursuant to Section 170 of the Internal Revenue Service Code. Participating school districts are required to report to TRD and to provide the tax-payer with written acknowledgement of the cash contribution.

The bill establishes maximum amounts for the credit: \$200 for single individuals or a head of household; \$250 for a married couple filing a joint return; \$125 each for married couples who could have file a joint return but file separate returns.

Extracurricular activities include competitive sports and other activities that support academic, social, leadership or other skills.

Provisions of the bill are applicable as of January 1, 2004.

Senate Bill 512 -- Page 2

FISCAL IMPLICATIONS

How many taxpayers will take advantage of the credit is unknown. Thus, TRD notes that the fiscal impact estimate is rough. They indicate that there are 140 thousand taxpayers with dependents who had enough tax liability to take advantage of the credit. They note that if all 140 thousand taxpayers made contributions sufficient to claim the full credit, the cost would be about \$30 million. This implies an average credit of \$214. They phase-in participation, assuming about a quarter of the population participates in the FY05.

ADMINISTRATIVE IMPLICATIONS

TRD reports modest administrative implications that can be absorbed with existing resources.

SUBSTANTIVE ISSUES

TRD notes that since this is a credit, where taxpayers get one dollar off their taxes for every dollar they contribute, the incentive to participate is large. They suggest that converting the credit to a deduction or partial credit, say 50 cents for each dollar contributed, would have the effect of reducing the cost to the general fund since the cost would be shared between the state and the taxpayer.

BT/lg