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FISCAL IMPACT REPORT

SPONSOR Garcia, MP DATE TYPED 2-21-2005 HB 1055

SHORT TITLE Grandparent Expenditure Tax Credit SB _____

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(3,000.0)	(6,000.0)	Similar	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

SUMMARY

House Bill 1055 provides an income tax credit for certain expenditures made by grandparents or great grand parents. The credit is equal to the taxpayer's child care expenditures during the taxable year. Childcare expenditures are defined as cost incurred in providing food, clothing, medical care, and extra rent or utilities paid as the result of providing space for the child.

The credit may only be applied against New Mexico income taxes.

The provisions of the bill are applicable on or after January 1, 2005.

FISCAL IMPLICATIONS

TRD estimates that this credit will reduce general fund revenues by \$6 million on a full-year basis. The estimate assumes an average credit of \$3,000.0 and 2,000 claims. The FY05 impact is half the full year impact because of the applicability date.

For comparison purposes, TRD also reported that credits already provided under current law were claimed by approximately 5 thousand taxpayers and totaled \$1.9 million as of tax year 2003.

TECHNICAL ISSUES

The bill's definition of child care expenditures includes extra rent or utilities paid as a result of providing space for the child. It does indicate how this is to be determined.

BT/yr