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FISCAL IMPACT REPORT

SPONSOR Carraro DATE TYPED 1/27/2005 HB _____

SHORT TITLE NMMI Scholarship Fund Income Tax Credit SB 33

ANALYST Taylor

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
NA	NA		\$500.0	Recurring	NMMI Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$250.0)	(\$250.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

SUMMARY

SB 33 creates the New Mexico Military Institute (NMMI) Scholarship Fund and provides an income tax credit for donations to the new fund.

The income tax credit is equal to 50 percent of the donation to the fund. To claim the credit, the taxpayer must submit a certificate of eligibility issued by NMMI to the Taxation and Revenue Department. Total credits are capped at \$250 thousand dollars annually by limiting the claim that would result in the total annual amount to exceed the \$250 thousand cap to be equal to the difference between \$250 thousand and the total value of certificates already issued. Certificates are issued in the order received.

The NMMI Scholarship Fund is created in the state treasury and consists of appropriations, gifts, grants and bequests. Money in the fund is appropriated to the NMMI Board of Regents to pro-

vide scholarships to students under the age of 18 with preference given to students who have a parent or legal guardian in a New Mexico correctional facility.

FISCAL IMPLICATIONS

The fiscal impact of this bill is uncertain because it is not known how much money will actually be claimed against the credit. The NMMI foundation currently receives about \$150 thousand annually from New Mexicans. It seems reasonable to assume that some of this would be transferred to the scholarship fund, given the availability of a credit. In addition, it is assumed that NMMI would successfully increase donations to the maximum allowed in the bill. Thus, the fiscal impact to the general fund is assumed to be a negative \$250 thousand.

The newly created fund should benefit by raising \$500 thousand in donations or more. \$500 thousand is the amount consistent with the assumption that donations would be sufficient to maximize tax credits. This probably would not be all new money to the school as some of it may come from donors who are donating currently without receiving the benefit of a credit.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC objects to including continuing appropriation language in the statutory provisions for newly created funds. Earmarking reduces the ability of the legislature to establish spending priorities.

ADMINISTRATIVE IMPLICATIONS

TRD reports a modest administrative impact, which could be absorbed with current resources.

The bill would also have an administrative impact on NMMI administration, which would be required to issue and account for certificates.

BT/yr