

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill No:** HB 117

**48th Legislature, 1st Session, 2007**

**Short Title:** Teacher Tax Credit for Classroom Supplies

**Sponsor(s):** Representative Nathan P. Cote and Others

**Analyst:** James Ball

**Date:** January 30, 2007

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**Bill Summary:**

HB 117 authorizes a \$500 tax credit for expenditures for classroom supplies for public school teachers who file an individual New Mexico income tax return and who hold a valid teaching license. Where the credit amount exceeds a teacher's total tax obligation, the difference would be refunded to the teacher. The tax credit would apply to taxable years beginning on or after January 1, 2007.

**Fiscal Impact:**

According to the Taxation and Revenue Department, approximately \$11.0 million could be claimed annually as tax credit impacting the General Fund if all 22,000 New Mexico public school teachers claimed the maximum deduction beginning in FY 08. In addition, \$5.0 million could be claimed for FY 07 reflecting the accrual of 50 percent of Tax Year 2007.

Taxation and Revenue also cites a California Department of Education study that indicates that teachers spend, on average, \$475 of their own money annually on classroom materials and supplies. It appears likely, therefore, that teachers would utilize the full credit proposed in HB 117.

**Issues:**

Under the federal *Working Families Tax Relief Act of 2004* (WFTRA), teachers and other educators are allowed to deduct up to \$250 from their federal income tax obligation to buy classroom supplies. WFTRA was originally intended to impact only tax years 2004 and 2005, but it was extended by the Congress in December, 2006 to cover tax year 2006. The deduction might be more difficult to claim on 2006 federal tax returns because the extension was passed too late to be included in 2006 tax forms and instructions. There's no need, however, to itemize to get the deduction. Rather, it is an adjustment to income, helping cut a teacher's tax bill by reducing overall income.

In addition, the federal deduction is not limited to teachers. The Internal Revenue Service says the deduction is allowable for persons employed at state-approved public or private schools as a teacher, instructor, counselor, principal, or aide as long as the individual works with any class from kindergarten through grade 12 at least 900 hours during the school year.

## **Technical Issues in HB 117**

HB 117 limits the tax credit to individuals who have obtained a valid teaching license from the Public Education Department. The term “teacher” is defined in [Subsection Z of Section 22-1-2 NMSA 1978] as “a person who holds a level one, two, or three-A license and whose primary duty is classroom instruction or the supervision, below the school principal level, of an instructional program or whose duties include curriculum development, peer intervention, peer coaching or mentoring or serving as a resource teacher for other teachers.” School librarians are included within this definition. The bill addresses only licensed teachers.

### **Related Bills:**

HB 503 *Classroom Teacher Income Tax Credit*  
HB 504 *Higher Ed Expenses Income Tax Credit*  
SB 284 *Certain Scholarship Donation Tax Credits*