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FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/07

SPONSOR Park LAST UPDATED _____ HB 503

SHORT TITLE Classroom Teacher Income Tax Credit SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
(\$3,300.0)	(\$13,200.0)	(\$11,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB117

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House bill 503 amends the Income Tax Act to allow a credit to classroom teachers in either private or public schools of \$500.00 provided the teacher earns has taxable income of no more than \$100,000.

The effective date is January 1, 2007.

FISCAL IMPLICATIONS

There are approximately 23,000 teachers in both public and private primary and secondary schools and about 95 percent of them are expected to qualify for the full amount of the credit. As the average teacher's salary is approximately \$39,000 and the entry level is approximately \$30,000 which means that virtually all of the ones will qualify for the full credit. For 2007, the credit is expected to reduce personal income tax revenues which flow to the general fund by \$11 million (22,000 * \$500). Due to the timing of the legislation, it's assumed that 30 percent of the

2007 impact will be in FY07 and the remainder in FY08. The impact for 2008 is divided evenly between FY08 and FY09.

Table 1: Teacher Salaries in NM

SOC Code	Occupational Title	Industry Title	Entry Level	Mean (average)	Median	Experienced
252012	Kindergarten Teachers, Except Special Education	Total, All Industries	\$29,826.00	\$38,185.00	\$37,291.00	\$42,364.00
252022	Middle School Teachers, Except Special and Vocatio	Total, All Industries	\$29,977.00	\$38,578.00	\$37,450.00	\$42,879.00
252031	Secondary School Teachers, Except Special and Voca	Total, All Industries	\$30,349.00	\$41,411.00	\$39,790.00	\$46,942.00

Source: NM Department of Labor

SIGNIFICANT ISSUES

The definition of teacher in HB503 includes teachers who work at “during at least nine months” in the taxable year for a New Mexico school district or NM-accredited private school and teach kindergarten through twelfth grade. This provision could be construed due to the language as any teacher who works during some nine month period. While the intent is clear to require at least nine months employment, the language is ambiguous.

Since virtually all teachers are likely to qualify, Taxation and Revenue Department (TRD) points out that it is equivalent to giving a \$500 pay raise to all public teachers outside of the normal appropriation process.

The Public Education Department (PED) raises some important issues:

The definition of “classroom teacher” in the bill would exclude duly licensed teachers teaching in the state’s institutions and the state’s educational institutions (e.g., School for the Visually Impaired, School for the Deaf and Hard of Hearing, New Mexico Military Institute and the various juvenile justice and other juvenile treatment facilities operated or licensed by the Children, Youth and Families Department (CYFD)).

The definition of “classroom teacher,” which understandably is directed only toward those teachers actually teaching in a classroom, found in Section 22-1-2(Z) of the Public School Code is quite different, which is likely to result in teacher-union disapproval (“teacher means 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”).

TRD reports that the language does not spell out that PED must accredit the private school and could be interpreted as any NM entity providing accreditation. TRD also indicates that the proposed statute might be perceived as unfairly penalizing teachers who, with their spouse’s income, have over \$100,000 in taxable income.

TECHNICAL ISSUES

TRD:

Language on page 2, lines 7 thru 12 stating that “an individual who was employed during at least nine months of the taxable year” qualifies for the credit is unclear. One could interpret it to mean that the individual could be employed during any part of a nine month period in the year since no minimum period of employment is specified.

NF/nt