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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/13/07

SPONSOR Miera LAST UPDATED \_\_\_\_\_ HB 1138

SHORT TITLE High-Needs Schools Teacher Tax Credit SB \_\_\_\_\_

ANALYST Francis

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$100.0	Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(\$4,200.0)	(\$5,600.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates SB 927

### SOURCES OF INFORMATION

LFC Files  
Taxation and Revenue Department (TRD)

Responses Received From  
Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Bill 1138 creates a tax credit for licensed teachers who teach at schools identified by the Public Education Department as “high-needs.” The credit is against personal income tax liability

and can be carried forward for up to three years. The credit is \$1,500 for teachers who have held a level 2 license at least half of the taxable year and \$2,000 for teachers who have held a level 3 license for at least half of the taxable year. A teacher must have taught at the school for at least half of the taxable year. The maximum credit goes to teachers who taught for the entire school year and half of the credit goes to teachers who have taught at least half of the full school year.

PED will develop criteria for determining high-needs schools based on academic proficiency, poverty indicators, and other factors to be identified. No more than 4,300 teachers shall be eligible in a tax year.

An appropriation of \$100 thousand is made to PED to implement the certification and develop criteria.

### **FISCAL IMPLICATIONS**

PED estimates that they will be able to identify 4,300 teachers who would receive the credit. Assuming half are Level 2 and half are Level 3, the full credit will reduce personal income tax collections by \$7.5 million per year. Assuming an average salary of \$43,000, the tax liability is approximately \$980 so for most taxpayers they will carry the credit forward. In FY08, the credit is expected to reduce revenues by \$4.2 million. In FY09, the impact is a \$5.6 million reduction. By FY10, the credit reaches the maximum \$7.5 million.

### **SIGNIFICANT ISSUES**

PED:

One significant issue is the determination of criteria identifying a “High Needs School.” PED will utilize data that address academic proficiency, the percent of poverty in the school population and other factors that will help prioritize the schools and teachers eligible for the tax credit within the maximum number that can be selected.

Academic proficiency would be determined by the percent of students in the school that are proficient in reading and mathematics as evidenced by standardized assessments. Poverty would be identified by the percent of students who are eligible for free-and-reduced lunch. Other factors could be considered.

A system of collecting data from public K- 12 schools, including charter schools, tribal, Bureau of Indian Affairs (BIA) schools or BIA contract schools, identified by the PED will be developed.

The PED’s Educator Quality Division will be responsible for administering the PED roles and responsibilities related to this bill.

### **ADMINISTRATIVE IMPLICATIONS**

PED:

The PED would work in collaboration with the Taxation and Revenue Department by annually providing the department with the list of qualifying teachers by name and social security number. The processes for identifying and verifying the qualifying teachers do not currently exist and will have to be developed and maintained. Current PED staff

cannot absorb this work. The \$100.0 appropriation in the bill will be utilized for contract services to develop and maintain a database and reporting system that utilizes STARS information along with information from the Bureau of Indian Affairs schools and contract schools' data systems. Any unexpended or unencumbered balance of the \$100.0 remaining at the end fiscal year 2008 shall revert to the general fund.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB 927 is a duplicate.

**TECHNICAL ISSUES**

On page 3, line 1, it refers to “personal income liability” and that should be changed to “personal income *tax* liability.”

**OTHER SUBSTANTIVE ISSUES**

PED reports that this would be a significant recruiting tool to attract teachers to high-needs schools.

NF/nt