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FISCAL IMPACT REPORT

	ORIGINAL DATE 2/14/07		
SPONSOR	McSorley	LAST UPDATED	HB _____
	FAMILY MEDICAL LEAVE EMPLOYER TAX		
SHORT TITLE	CREDIT	SB	589
		ANALYST	Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(\$4,320.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 589 provides an income tax credit for employers who pay salaries or wages for employees on family medical leave. The credit is equal to 25 percent of the amount paid to an employee who has taken leave for the adoption or birth of a child, the care of a child, spouse or parent that necessitates inpatient care in a hospital, hospice or residential health care facility or requires continuing treatment or care by a health care provider. The credit can be claimed against personal or corporate income tax liability.

FISCAL IMPLICATIONS

TRD:

Over a typical career, an employee will likely require this type of leave for approximately three 12- week periods. Hence over a 25-year career employees will require approximately 1.5 weeks of paid medical leave per year. Assuming a typical New

Mexico worker is paid approximately \$16 per hour,¹ the annual cost of 1.5 weeks of paid medical leave will be approximately \$960, or \$16 x 60 hours per employee. Statistics describing typical employer practices in providing paid medical leave are scarce. However, data published in a recent issue of the *Monthly Labor Review*² seem to suggest approximately 2 percent of employers currently provide this benefit. Assuming 3 percent of the New Mexico private sector labor force receives paid medical leave benefits (roughly 18,000 employees) as a result of the proposed legislation, total payments would be \$17.3 million (18,000 x \$960). Since the credits would be one-fourth this amount, the resulting impact on the General Fund would be approximately \$4.3 million.

TECHNICAL ISSUES

TRD:

Under provisions of the proposal, taxpayers could “double dip” by taking the wage expense deduction and then the credit for the payment of wages while the employee is on FMLA. The imprecise definition of family medical leave is unspecific, hence provisions of the bill may create enforcement problems.

Provisions of the bill limit family medical leave tax credits to leave taken with regard to the birth or adoption of a child, the care of a child, spouse or parent who has a health condition, which requires inpatient care or continuing supervision by a health care provider.

NF/nt

¹ According to the New Mexico Labor Department website, the average is about \$16.30 per hour. Please see “Occupational Employment Statistics” statewide, updated to March 2006.

² “Family Leave Coverage in the 1990’s”, by Jane Waldfogel, *Monthly Labor Review*, October, 1999