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FISCAL IMPACT REPORT

SPONSOR Snyder ORIGINAL DATE 1/28/08
LAST UPDATED _____ HB _____
SHORT TITLE Home Care Income Tax Credit SB 117
ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(44,379.0)	(30,263.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

www.caregiver.org

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 117 creates a new credit against personal income tax for up to 50 percent of expenditures for home care in New Mexico of an ill or disabled person over the age of 65 who is a family member of the taxpayer. The credit is refundable so if the amount exceeds the taxpayers liability, the excess is refunded to the taxpayer. The credit is not allowed if the taxpayer claimed a federal deduction or credit for the expenditures.

Family member is defined as spouse, parent, stepparent, father-in-law, mother-in-law, grandparent, child, stepchild, brother, sister, stepbrother, stepsister, half brother, half sister, uncle, aunt, niece or nephew whether related by birth or adoption.

Home care expenditures include the costs of providing food, clothing or medical care and extra rent or utilities paid as the result of providing space for the person.

The credit is effective for tax years beginning on or after January 1, 2008.

FISCAL IMPLICATIONS

Taxation and Revenue Department:

At the national level, between 5.8 million and 7 million people (family, friends and neighbors) provide home care to persons 65 and over who need assistance. Taking the mid-point of this range and adjusting it to New Mexico using population ratios suggests 41,600 caregivers provide home care to family, friends and neighbors in New Mexico. This number was decreased by 30 percent to 29,120 individuals because provisions of the bill only apply to family members and not to friends or neighbors.

The Consumer Expenditure Survey (CES) for 2005 reports that individuals aged 65 and over consume \$3,298 per year on food, \$2,936 on utilities and \$1,286 in clothing for a total of \$7,520. Medical expenses are excluded from this estimate because it is assumed that individuals aged 65 and over are insured by Medicare. Since the CES applies to individuals aged 65 and over who live alone, while the proposed bill applies to expenses shared with caregivers, it was assumed that only 25% of the \$7,520 figure, or \$1,880, would qualify for the credit for each eligible claimant (on average). Multiplying this average qualifying cost by the number of family caregivers for persons age 65 and over in New Mexico results in $\$1,880 \times 29,120 = \54.7 million per year in applicable annual expenses. Since the credit would be for up to 50 percent of expenses, the fiscal impact for 2005 was estimated to be $50\% \times \$54.7 = \27.4 million.

Subsequent years are calculated using the figure derived above adjusted by the change in the consumer price index. Tax year 2008 liability changes were assumed to affect only FY2009 revenues. Tax year 2009 and subsequent year changes in liabilities were assumed to be evenly split across the two fiscal years included in the calendar year.

SIGNIFICANT ISSUES

According to the Family Caregiver Alliance approximately 20% of adults over the age of 65 are receiving care from family, friends or neighbors. According to the 2000 census New Mexico had 206,000 people over 65 who were not institutionalized. Thus, approximately 40,000 New Mexicans were receiving care from family, friends or neighbors in 2000.

This bill would give some tax relief to those caring for their relatives who could otherwise be using Medicare and Medicaid funds for nursing home care.

Department of Health:

Persons with developmental disabilities are living longer lives due to advances in medical technology and the health services. Older persons with developmental disabilities are living in the community with family members or through supported living situations instead of in public institutions as they did in the past. Aging persons with developmental and other disabilities require many of the same services and supports that older persons without developmental disabilities receive.

SB727 would specifically address issues related to the provision of home care to ill or disabled family members over the age of sixty-five. Most developmental disabled individuals falling into this age range would qualify for services provided by the Developmental Disabilities Waiver. For a very small number of individuals with a

developmental disability SB727 would possibly help a family keep them living at home longer.

TECHNICAL ISSUES

TRD suggests that “ill” throughout should be replaced by “chronically ill” to clarify the target group and that the definitions of home care, home care expenditure, extra rent and utilities, ill and disabled be made more precise.

NF/bb