F I S C A L   I M P A C T   R E P O R T

SPONSOR Maestas **ORIGINAL DATE** 02/09/12 **LAST UPDATED** **HB** 306

SHORT TITLE Family Reunification Employment Tax Credit **SB**

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	**FY14**	**FY15**		
(1,000.0)	(2,000.0)		Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From

No response from TRD

SUMMARY

Synopsis of Bill

House Bill 306 allows a taxpayer who is an owner of a New Mexico sole proprietorship, partnership or limited liability company to claim a “family reunification employment tax credit” in the amount equal to $5,000 of the gross wages paid to each qualified New Mexico who is employed full time in New Mexico by the taxpayer for at least 12 months during the taxable year. An eligible taxpayer may claim the credit for each taxable year in which the taxpayer employs one or more qualified New Mexicans; provided that the taxpayer may not claim the credit for any individual qualified New Mexico for more than two taxable years. Any amount of credit that exceeds a taxpayer’s tax liability shall be refunded, carried forward or transferred.

The bill also provides the credit for Corporate Income and Franchise Tax. The total credit allowed for both programs is $2,000,000.

Effective Date: July 1, 2012

FISCAL IMPLICATIONS

It is assumed that the credit will quickly be claimed up to the cap.

OTHER SUBSTANTIVE ISSUES

Does the bill meet the Legislative Finance Committee tax policy principles?

- Adequacy: Revenue should be adequate to fund needed government services.
- Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.
- Equity: Different taxpayers should be treated fairly.
- Simplicity: Collection should be simple and easily understood.
- Accountability: Preferences should be easy to monitor and evaluate

This bill may be counter to the LFC tax policy principle of adequacy. According to the LFC staff General Fund Recurring Appropriation Outlook for FY14 and FY15, December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations

The sponsor might want to consider a "sunset clause" so that the efficacy of this amendment can be evaluated.

SS/lj