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FISCAL IMPACT REPORT

		LAST UPDATED	3/21/2025
SPONSOR	House Taxation and Revenue Committee	**ORIGINAL DATE**	2/11/2025
SHORT TITLE	Earned Income Tax Credit	**BILL NUMBER**	CS/House Bill 14/HTRC/aSTBTC/aSFl#1/CC
		ANALYST	Gray/Torres/Faubion/Graeser

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Section 1: Earned Income Tax Credit			($72,000.0)	($74,000.0)	($76,000.0)	Recurring	General Fund
Section 2: Foster Parent and Guardian Tax Credit			($8,800.0)	($8,800.0)	($8,800.0)	Recurring	General Fund
Section 3: Health Practitioner Coinsurance			($31,300.0)	($31,100.0)	($40,900.0)	Recurring	General Fund
Section 3: Health Practitioner Coinsurance			($18,500.0)	($20,700.0)	($27,000.0)	Recurring	Local Governments
Sections 4-6: Liquor Excise Tax		($249.0)	($249.0)	($249.0)	($249.0)	Recurring	Municipality in Class A County
Sections 4-6: Liquor Excise Tax		$8,000.0	$8,000.0	$8,000.0	$8,000.0	Recurring	Tribal Alcohol Harms Alleviation Fund
TOTAL GENERAL FUND		**($0.0)**	**($112,100.0)**	**($113,900.0)**	**($125,700.0)**	**Recurring**	**General Fund**

See "Administrative Implications" below for additional operational impacts.

Sources of Information

LFC Files

Agency Analysis Received From
Taxation and Revenue Department (TRD)
New Mexico Attorney General (NMAG)
Health Care Authority (HCA)
Department of Health (DOH)
Children, Youth, and Families Department (CYFD)

SUMMARY

Synopsis of Conference Committee Report on House Bill 14

The following narrative reflects the most current version of this bill, as recommended in the conference committee report.

Section 1: Earned Income Tax Credit. This section replaces the working families tax credit (WFTC) with the New Mexico earned income tax credit (EITC). There are two features to the expansion:

- First, it increases the amount of tax credit accumulated for each dollar a taxpayer earns. This means that every taxpayer currently receiving the WFTC would receive more under this proposal.
- Second, it increases income eligibility for all taxpayers, with the largest increase made for low-income adults without minor children. Over 100 thousand New Mexicans would be newly eligible for the EITC under this expansion.

The expansion of the credit's eligibility limits is demonstrated in the table below:

Proposed Income Eligibility Limits, Current WFTC and EITC vs HB14 Proposed

	Current	HB14 EITC
No children, unmarried	$17,640	$35,000
1 child, unmarried	$46,560	$64,500
2 children, unmarried	$52,918	$73,250
3 or more children, unmarried	$56,838	$77,000
No children, married	$24,210	$40,000
1 child, married	$53,120	$69,500
2 children, married	$59,478	$78,250
3 or more children, married	$63,398	$82,400

This section creates a minimum credit amount for taxpayers earning less than $25 thousand per year equal to $100. All provisions of the credit are indexed to inflation. Lastly, this section requires the Taxation and Revenue Department (TRD) to reflect the value of the credit in tables with income brackets of $50, the same method required by the federal EITC.

The NM EITC applies to tax years beginning 2025.

Section 2: Foster Parent and Guardian Tax Credit. This section gives a tax credit to foster parents licensed or certified by the Children, Youth and Families Department (CYFD) or a child placement agency and to guardians in an amount equal to $250 for each month in which the taxpayer is a foster parent or guardian for more than 50 percent of that month in the taxable year in which the tax credit is claimed. The maximum amount of credit that may be claimed by a taxpayer in a taxable year is $3,000. This is a refundable credit.

CYFD would issue a dated certificate of eligibility to taxpayers that apply for this tax credit from CYFD if the department determines the applicant meets the requirements detailed in this section. The section requires that the credit shall be claimed within three taxable years of the end of the year in which CYFD certifies the credit.

This section does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted. This section applies to tax years 2025 through 2029.

Section 3: Health Practitioner Coinsurance. This section proposes to expand the gross receipts tax (GRT) deduction for healthcare practitioners in New Mexico by including coinsurance paid directly by patients under their health insurance or managed care plans, in addition to co-payments and deductibles. The section mandates annual reporting on these deductions to assess their effectiveness and updates definitions related to co-payments and coinsurance for clarity. The section also extends the sunset of all the deductions on co-pays, deductibles, and coinsurance from the end of fiscal year 2028 to the end of fiscal year 2030.

The effective date of this section is July 1, 2025.

Sections 4 through 6: Liquor Excise Tax. These sections raises the liquor excise tax by 20 percent pursuant to the following:

Type	Current	New	Percent Increase
Beer	$0.41 per gallon	$0.49 per gallon	20 percent
Wine	$0.45 per liter	$0.54 per liter	20 percent
Spirits	$1.6 per liter	$1.92 per liter	20 percent
Cider	$0.41 per gallon	$0.49 per gallon	20 percent
Fortified wine	$1.5 per liter	$1.80 per liter	20 percent
Other	Various	Various	No change

The proposal does not affect tax rates for craft distillers, small wine growers, and microbrewers.

These sections eliminate the distribution made to a municipality in a class A county that has a population according to the most recent federal decennial census of more than thirty thousand but less than sixty thousand, pursuant to Section 7-1-6.40 NMSA 1978 Subsection B. Currently, the City of Farmington is the sole recipient of the distribution made pursuant to Section 7-1-6.40 NMSA 1978 Subsection B.

The effective date of this section is July 1, 2025.

FISCAL IMPLICATIONS

This bill creates or expands tax expenditures. Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

Section 1: Earned Income Tax Credit. This section is estimated to reduce recurring general fund revenues by $72 million in FY26. LFC and TRD staff estimated this impact by simulating the value of the credit for and number of all taxpayers by income. The cost of the expansion was grown by consumer prices forecast from S&P Global.

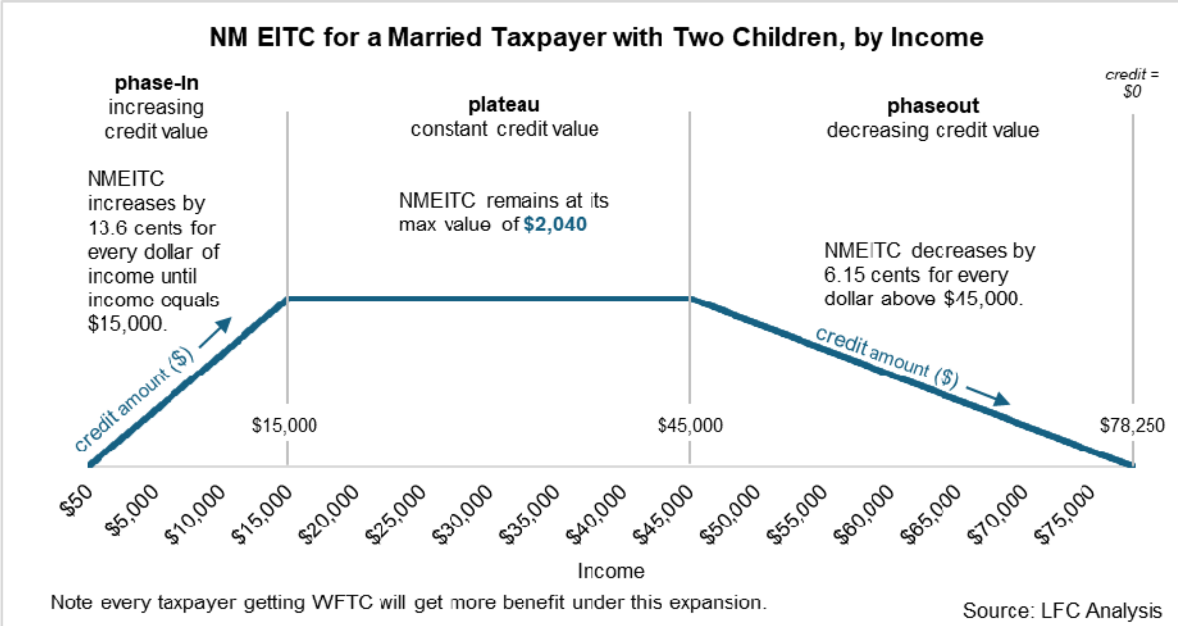
Currently, the WFTC offers a 25 percent match of the federal EITC. EITC is a refundable tax credit that boosts the income of eligible low-income workers, especially those with children. Because the credit is refundable, an EITC recipient need not owe income taxes to receive the benefit. The EITC depends on a recipient's earned income. Specifically, the EITC phases in as a percentage of earned income (the "credit rate") until the credit amount reaches its maximum level. The EITC then remains at its maximum level over a subsequent range of earned income, between the "earned income amount" and the "phaseout amount threshold." Finally, the credit gradually decreases to zero at a fixed rate (the "phaseout rate") for each additional dollar of adjusted gross income (AGI) (or earned income, whichever is greater) above the phaseout amount threshold.

In general, there are three categories of increased cost. The first group, taxpayers who are currently eligible for the credit but who do not benefit from the extended eligibility criteria, would see their credit increase by 34 percent per dollar earned, and the state would see a proportional increase in costs. The second group, taxpayers who are still eligible for the credit and whose incomes are sufficiently high to benefit from extended eligibility, would see their credit increase by a range of 21 percent per dollar earned to well over 200 percent per dollar earned because the value of the WFTC approaches zero in this range. The last group is taxpayers who are not currently eligible. This analysis estimates there are at least 100 thousand New Mexico who do not currently qualify for the WFTC who would qualify under this proposal and would receive an increased benefit that varies considerably depending on the number of dependent children.

This section partially decouples New Mexico from the federal EITC. The definition of earned income remains the same as current law, but this section defines a new credit rate, earned income amount, phaseout amount threshold, and phaseout rate. Under this section, the effective New Mexico credit is equal to 34 percent of the federal EITC, meaning a taxpayer would get a credit at least 36 percent larger for each dollar of earned income compared to WFTC (i.e., 25 percent in current law increased to 34 percent by HB14). However, for some taxpayers, the credit increase is much larger. For example, a married couple earning $48 thousand per year with one child would receive nearly three times more under HB14 compared to the WFTC. The chart below illustrates the three distinct ranges of the credit available for a household filing jointly with two children.

Eligibility is expanded significantly for all taxpayers. Eligibility is nearly doubled for those without children, increasing from about $17 thousand per year to $35 thousand per year, and is increased by about 35 percent for taxpayers with children. Taxpayers between 18 and 25 years old remain eligible as they are currently under WFTC.

For some taxpayers, HB14 would increase income tax credits enough to offset state income taxes paid. For example, a taxpayer filing jointly with two children and a household income of $65 thousand per year—about $31 per hour working full-time—currently pays about $500 in state income taxes. Under HB14, that household would have its full tax liability offset by refunds at the end of the year. This analysis estimates there are at least 20 thousand families whose state income tax liability would be offset by this legislation. These would primarily be families with household income between $30 thousand and $70 thousand per year. The median household income for New Mexico families with children was $65.9 thousand in 2023. The estimated benefit by taxpayer income and the number of dependent children is reflected below.



Section 2: Foster Parent and Guardian Tax Credit. To estimate the number of eligible foster parents, TRD used data from the CYFD. In 2024, there were 1,029 foster homes registered with CYFD. TRD assumes each home is a household with an associated taxpayer who is eligible.

To estimate the number of guardians, TRD used U.S. Census Bureau data for the percent of children in New Mexico who live in a household headed by a non-family member, at 1.6 percent. TRD assumes each household is associated with one tax return. TRD then indexed this percentage to the number of taxpayers who claimed the 2023 New Mexico child tax credit (CTC) to calculate the number of households with a dependent child, resulting in an estimated 3,800 households. Of these households, TRD assumed 50 percent would qualify under Section 1(H)(3), resulting in an estimated 1,900 qualified "guardian" households.

This credit is available for taxpayers at an amount equal to $250 per month. This allows an eligible taxpayer to claim this credit for a partial year or a full year. TRD presents the fiscal impact as a range with an assumption on the lower end that 50 percent of eligible foster parents or guardians may receive this credit for six months while the remainder are eligible for a full year. The upper end of the range assumes that all foster and guardian households are eligible for a full year of the credit.

Section 3: Health Practitioner Coinsurance. Estimating the full impact of this section is challenging due to significant gaps in available data on both healthcare spending and taxation within private insurance and managed care plans. Without detailed, provider-level financial data, it is difficult to determine how much taxable revenue would be newly deductible and how that would affect state and local revenues. Key missing data include practice type, tax district and corresponding GRT rate, and payer distribution (i.e., the share of payments coming from Medicaid, Medicare, private coinsurance, private co-payments, and direct pay). Additionally, because healthcare spending patterns fluctuate due to policy changes, patient demographics, and economic conditions, even historical data may not provide an accurate projection. Without a comprehensive dataset integrating tax filings, reimbursement rates, and healthcare expenditures, any fiscal estimate remains highly uncertain, making it difficult to assess the impact on state and local finances.

The Taxation and Revenue Department (TRD) notes its fiscal impact methodology as follows:

> This section expands the current GRT deduction under 7-9-93 NMSA 1978 for certain health receipts to coinsurance payments by patients made directly to the provider. Note that deductibles and co-payments are already deductible; these represent an amount a patient must pay at the time of receipt of medical services, with the remainder being covered by the insurance provider. Coinsurance represents the amount that a patient must pay after the deductible is satisfied. TRD used data from the RP80 GRT report and retrieved taxable GRT by NAICS codes in the associated health practitioner fields to identify the proportion of taxpayers that might claim the deduction. Then, TRD used data from the Centers for Medicare and Medicaid Services on private health expenditures in New Mexico, 1991-2020, to estimate the tax base. An average percentage of 30 percent on coinsurance for the patient is also applied. The fiscal impact was grown using the average annual percentage growth of private health expenditures from 1991 to 2020. The statewide effective GRT rate for healthcare services was applied to the forecast for the outlook. The fiscal impact includes the effects of this deduction on the distributions to municipalities pursuant to Section 7-1-6.4 NMSA 1978 as the majority of the taxable base will be in municipalities. The fiscal impact also accounts for the impact of the hold harmless payments to municipalities and counties per Sections 7-1-6.46 and 7-1.6.47 NMSA 1978 under the benchmark fiscal impact.

To estimate the impact of extending the sunset on the deduction for co-payments and deductibles, LFC used data on the claims of that deduction in the *Tax Expenditure Report*, noting the change in the claims for that deduction before and after co-payments and deductibles were added to that provision.

Sections 4 through 6: Liquor Excise Tax. These sections are estimated to have no general fund revenue impact. These sections earmark the $8 million in revenue raised by the increased excise tax to a newly created tribal alcohol harms alleviation fund. The provisions are estimated to keep the earmark to the Local DWI Grant Program flat with current revenue estimates. The earmark to drug courts will increase moderately compared with current revenue estimates. The section eliminates the $249 thousand earmark to a municipality that is located in a class A county and that has a population according to the most recent federal decennial census of more than 30 thousand but less than 60 thousand.

Increasing the price of a good generally decreases the demand for that good. The assumed price elasticities of demand were taken from Wagenaar et. al. 2009, a systemic review of studies examining relationships between measures of beverage alcohol tax or price levels and alcohol sales or self-reported drinking. A total of 112 studies of alcohol tax or price effects were found, containing 1,003 estimates of the tax/price–consumption relationship. The upper confidence interval was used for revenue estimates.

Researchers in that meta-analysis concluded:

> The meta-analyses reported here demonstrate the statistically overwhelming evidence of effects of alcohol prices on drinking. Price affects drinking of all types of beverages, and across the population of drinkers from light drinkers to heavy drinkers. We know of no other preventive intervention to reduce drinking that has the numbers of studies and consistency of effects seen in the literature on alcohol taxes and prices.

Researchers of the meta-analysis used in this report note that all studies of tax and price effects "also reflect particular meanings and uses of alcoholic beverages across diverse social and cultural environments, and tax and price policies probably interact with a whole web of individual, community and societal influences on drinking behavior." Policymakers may wish to consider these interactions.

SIGNIFICANT ISSUES

Section 1: Earned Income Tax Credit. A 2024 LFC program evaluation titled *Improving New Mexico's Workforce Participation* recommended the Legislature increase the WFTC to target "childless workers to soften the benefits cliff and facilitate the reemployment transition for at-risk New Mexicans." This legislation accomplishes that recommendation by raising the benefit for workers without minor children and nearly doubling the eligibility threshold.

According to the National Conference of State Legislatures, 27 states have a refundable earned income tax credit. Most states tie it directly to the federal EITC, but several states have decoupled from the federal EITC as is contemplated by HB14.

The federal EITC is one of the largest anti-poverty programs in the United States. Researchers have documented how the federal EITC affects labor supply by creating a significant work incentive. For example, the introduction and expansion of state EITCs has been associated with an increased likelihood that a family with below-poverty level earnings in one year have earnings above the poverty threshold in the next year. Literature has associated federal EITC with improved outcomes for children's education, infant and child health, and parental health.

TRD analysis of the introduced version of HB14 points out that that EITC is an incentive that can provide tax relief to families to help "offset the costs of raising children and can effectively reduce poverty rates." The agency writes that, although New Mexico has the highest official poverty rate in the nation for those under 18, supplemental measures at the federal and state level reduced poverty in New Mexico dramatically. The supplemental poverty rate for those under 18, taking into account the federal child tax credit, is 8.9 percent. This is compared to New Mexico's official poverty rate of 27.4 percent. No other state saw as dramatic a reduction between the two measures for the period 2021 through 2023.

TRD analysis of the introduced version of HB14 notes that this section increases the administrative complexity for both the agency and for taxpayers. The agency writes of the increased tax code complexity:

> This complexity can create confusion for taxpayers, as they would need to accurately determine their eligible credit percentage and phaseout amount based on their specific circumstances when they file their New Mexico personal income tax returns. While the state would provide tables for taxpayers to estimate their credit, taxpayers would be estimating two different credits at the federal and state level.

Section 2: Foster Parent and Guardian Tax Credit. CYFD supports this credit, which provides direct financial relief to foster families through a refundable tax credit to help offset the costs associated with fostering children. CYFD asserts this approach ensures financial assistance reaches foster parents immediately, without bureaucratic delays, and provides essential support for families that take on the responsibility of caring for children in the foster system.

According to CYFD, unlike traditional foster care maintenance payments, available only to families caring for children formally placed through CYFD, this credit extends financial relief to guardians outside the CYFD system, including grandparents and other kinship caregivers. Many of these caregivers do not receive foster care payments and often live on fixed or limited incomes, making the cost of raising a child—including food, housing, healthcare, and education—especially burdensome. CYFD states this refundable tax credit provides direct assistance to these guardians, recognizing the financial strain they bear without the formal support available to licensed foster parents.

CYFD also maintains that financial incentives, such as tax credits, have been shown to improve foster parent retention and recruitment. While increasing maintenance rates remains an important policy option, a refundable tax credit allows foster families to recover costs that are not fully covered by maintenance payments, such as transportation, extracurricular activities, and other quality-of-life expenses. CYFD asserts this flexibility makes fostering children a more financially sustainable commitment, which is crucial to ensuring a stable network of foster homes for children in need.

Furthermore, CYFD emphasizes the tax credit does not preclude future increases in foster care maintenance rates. Rather, it offers an additional mechanism for financial support that is not dependent on federal approval processes. By providing an immediate and direct benefit to caregivers, the tax credit functions as a supplemental support that works in tandem with potential increases in maintenance payments rather than as a replacement.

CYFD argues that while Title IV-E federal reimbursement (for foster care) covers a significant portion of foster care costs, it does not provide direct discretionary income to foster families. This credit ensures that state funds go directly to caregivers rather than being tied up in administrative processes or subject to federal eligibility restrictions. CYFD states that this direct financial relief benefits those providing care in real-time, rather than being filtered through federal requirements that limit eligibility and delay funding distribution.

A 2024/2025 interim evaluation by the Legislative Finance Committee (LFC) Program Evaluation Unit, conducted in support of the CYFD Restructuring Task Force established under Senate Memorial 5 (SM5), provides relevant fiscal context. New Mexico averages 2,200 children in foster care per month, with each child experiencing an average of four different foster homes per year. Licensed foster parents, also known as resource homes, receive nontaxable monthly maintenance payments to cover food, transportation, personal care, clothing, and other everyday expenses. The amount varies depending on the child's age and level of care. In FY24, the state spent approximately $61 million on foster care maintenance payments and adoption assistance for children under CYFD care. The state has the option to increase foster care maintenance rates, but such increases would likely require federal approval under Title IV-E, which currently reimburses New Mexico at approximately 75 percent of eligible foster care expenditures. The LFC budget recommendation includes a $100 thousand nonrecurring appropriation to study foster care maintenance payment rates, as recommended by the Senate Memorial 5 Task Force.

The SM5 brief raises concerns about the cost efficiency of a tax credit compared to increasing maintenance payments. Because Title IV-E reimburses roughly 75 percent of the state's foster care expenditures, increasing maintenance rates would allow New Mexico to leverage federal funding, with the state covering only one dollar for every three received from the federal government. In contrast, a tax credit relies entirely on state funding, making it a more expensive approach for the state. While the tax credit is an essential support mechanism for guardians who do not currently receive maintenance payments, its cost to the general fund is significantly higher than an equivalent increase in maintenance rates. As such, the proposal must be evaluated in the context of maximizing state investment while ensuring adequate financial support for all caregivers.

Section 3: Health Practitioner Coinsurance. Co-payments (co-pays) and coinsurance are both forms of cost-sharing in health insurance but function differently. A co-pay is a fixed amount a patient pays for a medical service, such as $30 for a doctor's visit, regardless of the total cost of the service. In contrast, coinsurance is a percentage of the cost that a patient pays, usually after meeting their deductible. For example, with 20 percent coinsurance, if a medical bill is $1,000, the patient would pay $200 while the insurance covers the remaining $800. Essentially, co-pays are fixed costs, while coinsurance varies with the total expense of the service.

TRD notes the following policy issues:

> Rising healthcare spending is one of the most considerable fiscal challenges facing state governments and continues to be a concern for patients who cope with growing medical costs. This is a concern for New Mexico and the United States. Hence, any fiscal incentive to reduce healthcare costs will positively affect healthcare consumers. Studies have shown that low healthcare spending by individuals contributes to increasing disposable income for workers, boosting job growth. Lower healthcare spending also affects state budgets because it results in lower health insurance spending for government employees and reduces lost tax revenue due to the deductions to ease the burden of health insurance spending.
>
> While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of such incentives complicate the tax code. Introducing more tax incentives has two main consequences: (1) it creates special treatment and exceptions within the code, leading to increased tax expenditures and a narrower tax base, which negatively impacts the general fund; and (2) it imposes a heavier compliance burden on both taxpayers and TRD. This proposal adds an additional deduction to Sections 7-9-77.1 and 7-9-93 NMSA 1978 increasing complexity for taxpayers and the administration of the tax code. Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy.
>
> The National Institute of Health's (NIH), National Center for Biotechnology Information published a study that predicts that nationwide the demand for doctors will outpace the supply so that by 2030, 34 of 50 states will have physician shortages. This shortage is more prominent for states in the South and West regions of which Mississippi and New Mexico will have the severest shortage. Their study predicts a shortage of 2,118 physicians in New Mexico by 2030 due in part to a higher percentage of physicians over 60 years of age compared to other states. The study discusses solutions that reach nationwide including: increasing the number of medical school graduates; increasing equitable federal funding for graduate medical education (GME); attracting foreign-trained doctors; increasing utilization of mid-level providers and increasing uptake of emerging medical technology. Without a nationwide solution, New Mexico will continue to compete with other states for a smaller pool of physicians. It is unclear how the deductions and reimbursements of this deduction will directly reduce patient costs and improve the present challenges the US health system faces. Furthermore, diverting

resources from the general fund to allow almost every payment to a healthcare practitioner to be subject to a deduction from GRT implies tradeoffs that might limit the State's capacity to invest in expanding healthcare access.

Sections 4 through 6: Liquor Excise Tax. TRD analysis of a bill duplicating these sections (Senate Bill 378) notes that New Mexico has one of the higher liquor excise tax rates in the region and that the proposal would increase New Mexico's ranking.

State Rankings by State Level Liquor Excise Taxes[3]

Liquor Category	New Mexico Proposed Rates	New Mexico Current Rates	Surrounding States				
			Arizona	Utah	Colorado	Oklahoma	Texas
Beer[1]	9	14	36	13	46	15	31
Spirits[1]	22	24	43	6	47	27	46
Wine[2]	4	5	26	*	40	29	44

Note: [1]As of January 1, 2024; [2]as of January 1, 2021. [3]Comparable state ratings based on dollars/gallon, include local rates, state-controls, differing rates by alcohol content. Utah has state-controlled sales of wine.

Source: Tax Foundation, TRD Analysis

According to a 2023 LFC progress report, alcohol is New Mexico's predominant substance-use problem. In 2021, 2,274 New Mexicans died from alcohol-related causes, roughly six people each day. The state has had the highest alcohol-related death rate in the country for over a decade, and the state's alcohol related death rate grew by 32.4 percent between 2019 and 2021.

A 2023 LFC progress report noted that, while the state has invested significantly in treatment, New Mexico has not dedicated the same resources to prevention. An increase to liquor excise taxes would likely increase the price of alcohol and decrease consumption, but it is just one of a constellation of policies that could be considered. The federal Substance Abuse and Mental Health Services Administration (SAMHSA) notes other prevention strategies involve limiting alcohol's physical availability, social availability, and psychological availability. Further, SAMHSA reports that no single policy should be considered in isolation to reduce the influence of alcohol on communities because such policies are most effective when they are coordinated statewide, complement existing policies, and leverage different policy frameworks.

ADMINISTRATIVE IMPLICATIONS

In general, TRD may have significant difficulty implementing some changes proposed in this bill by July 1, 2025. The General Appropriation Act of 2025 appropriates $5 million to TRD to implement tax and motor code changes mandated in legislation. This section includes all other agency administrative and operational implications.

Section 2: Foster Parent and Guardian Tax Credit. CYFD originally expected significant administrative expenses. On review, they now expect to accomplish this change within current resources. The fiscal impact associated with implementing this section would be minimized by leveraging CYFD's existing resources, infrastructure, and future hiring plans.

PERFORMANCE IMPLICATIONS

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five 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.

Section 1: Earned Income Tax Credit. The LFC tax policy of accountability is met with this section's requirement to report annually in the tax expenditure budget regarding the data compiled from the reports from taxpayers taking the credit.

Section 2: Foster Parent and Guardian Tax Credit. The LFC tax policy of accountability is met with this section's requirement to report annually in the tax expenditure budget regarding the data compiled from the reports from taxpayers taking the credit.

Section 3: Health Practitioner Coinsurance. The LFC tax policy of accountability is met with this section's requirement to report annually in the tax expenditure budget regarding the data compiled from the reports from taxpayers taking the deduction.

Sections 4 through 6: Liquor Excise Tax. None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

See the fiscal impact reports for each of the bills below for more information on the related sections.

Section 1: Earned Income Tax Credit. Original House Bill 14.

Section 2: Foster Parent and Guardian Tax Credit. Senate Bill 335.

Section 3: Health Practitioner Coinsurance. Senate Bill 455.

Sections 4 through 6: Liquor Excise Tax. Senate Bill 378.

Attachments:

1. WFTC to EITC Changes
2. State Earned Income Tax Credit Comparison

BG/JF/LG/IT/hg/sgs/hj

ATTACHMENT 1: WFTC to EITC Changes

Estimated Tax Benefits Under Expanded EITC

		Filing Status					
		Single			Married		
Income	**Children**	**Credit Amount**	**Credit Amount Increase**	**State Tax Offset**	**Credit Amount**	**Credit Amount Increase**	**State Tax Offset**
$25,000	0	$210	$210	☑	$210	$200	☑
	1	$1,270	$310	☑	$1,270	$220	☑
	2	$2,040	$420	☑	$2,040	$300	☑
	3	$2,300	$460	☑	$2,300	$340	☑
$30,000	0	$100	$100		$210	$210	☑
	1	$1,270	$510	☑	$1,270	$230	☑
	2	$2,040	$680	☑	$2,040	$320	☑
	3	$2,300	$720	☑	$2,300	$360	☑
$40,000	0	$0	$0		$0	$0	
	1	$1,090	$730	☑	$1,270	$630	☑
	2	$2,040	$1,210	☑	$2,040	$840	☑
	3	$2,300	$1,250	☑	$2,300	$880	☑
$50,000	0	$0	$0		$0	$0	
	1	$650	$650		$870	$630	☑
	2	$1,430	$1,120	☑	$1,740	$1,060	☑
	3	$1,680	$1,160	☑	$1,990	$1,100	☑
$55,000	0	$0	$0		$0	$0	
	1	$430	$420		$650	$610	☑
	2	$1,120	$1,080	☑	$1,430	$1,020	☑
	3	$1,380	$1,110	☑	$1,680	$1,060	☑
$60,000	0	$0	$0		$0	$0	
	1	$200	$200		$430	$420	
	2	$810	$810		$1,120	$980	☑
	3	$1,070	$1,070	☑	$1,380	$1,010	☑
$65,000	0	$0	$0		$0	$0	
	1	$0	$0		$200	$200	
	2	$510	$500		$810	$810	☑
	3	$760	$760		$1,070	$970	☑
$70,000	0	$0	$0		$0	$0	
	1	$0	$0		$0	$0	
	2	$200	$200		$510	$500	
	3	$450	$450		$760	$760	☑
$75,000	0	$0	$0		$0	$0	
	1	$0	$0		$0	$0	
	2	$0	$0		$200	$200	
	3	$150	$140		$450	$450	

Note: Estimated benefit totals are rounded.

ATTACHMENT 2: State Earned Income Tax Credit Comparison