

LFC Requester: _____ / _____



**PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2023 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original _____ Amendment x
Correction _____ Substitute _____

Date Prepared: 03/06/23

Bill No: HB342/aHF1#1

Agency Name
and Code

Number: PED - 924

Sponsor: Lane

Person Writing Gregory Frostad

Short EDUCATION SAVINGS

Title: PLAN USES

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
None	None	N/A	NFA

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
None	None	None	N/A	NFA

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	None	None	N/A	N/A	NFA

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis of HF1#1 Amendment: The House Floor amendment to House Bill 342 (HB342/aHF1#1) includes an additional section of statute, amending it to align with the allowable qualifying educational savings expenses in Internal Revenue Code (IRC) [Section 529](#).

Synopsis: House Bill 342 (HB342) amends several sections of statute to align with 2017 changes in federal law and IRC [Section 529](#) for educational savings. In defining “qualified higher education expenses,” the bill refers specifically to the “other expenses allowed” under IRC Section 529, which include tuition for elementary or secondary public, private, and religious schools up to \$10,000 per year. Further, it replaces the word “college” with “education” and the terms “husband and wife” with “married individuals.” The bill defines “eligible educational institutions” broadly to include college, university, vocational school, or other post-secondary institution recognized by the US Department of Education (DOE).

FISCAL IMPLICATIONS

HB342/aH contains no appropriation.

The state tax deductions and tax-free distributions offered to individuals investing in [New Mexico’s 529](#) programs have an undetermined cost due to reduced annual tax revenue.

According to the [Education Commission of the States](#) (ECS), “when state 529 policies provide tax benefits to individuals using 529 accounts to pay for private K-12 education, these policies intersect with issues of school choice and the financing of public K-12 education.” Any impact on enrollment in public schools due to adding allowable expense of elementary and secondary school tuition is not yet determined.

SIGNIFICANT ISSUES

Three financial benefits to individual New Mexicans investing in the state’s 529 educational savings programs include:

- (1) Contributions to the account may be deducted from state taxable income,
- (2) Investment gains are tax-deferred, and
- (3) Distributions from the accounts are tax-free at the state and federal level when used for qualifying expenses.

These benefits are not, however, equitably distributed across demographics. A 2010 study by the US Government and Accountability Office, according to a 2018 ECS report, analyzed national survey data on the distribution of college savings accounts and [found that families with socioeconomic advantages of higher income and education benefited the most from these accounts](#), minimizing the value of the program as a tool to help disadvantaged groups access educational opportunity. The median annual income for families with college savings accounts was \$142,400, while the median for families without such accounts was \$45,100. Further, about 91 percent of families with college savings accounts had at least one parent with a college degree, compared with about 44 percent of families without these accounts.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

HB342/aHF1#1 has no administrative implications for school districts, charter schools, or the Public Education Department.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None.