

CHILD CARE RELATED TAX CREDITS IN STATES

October 2020 State Profile

New Mexico

FOR EMPLOYERS

Tax Landscape: Forty-four states levy corporate income taxes.

Does New Mexico levy taxes on corporate employers in the state?

Corporate and Gross Receipts Tax

Does New Mexico have an employer tax credit to incentivize the provision of child care for employees?

Yes, see below for more information

Employer Child Care Tax Credit Description

Corporate-supported child care; credits allowed.

A. A taxpayer that pays for child care services in New Mexico for dependent children of an employee of the taxpayer during the employee's hours of employment may claim a credit against the corporate income tax imposed pursuant to the Corporate Income and Franchise Tax Act in an amount equal to 30% of the total expenses, net of any reimbursements, for child care services incurred and paid by the taxpayer in the taxable year.

B. A taxpayer that operates a child care facility in New Mexico used primarily by the dependent children of the taxpayer's employees may also claim a credit against the corporate income tax imposed pursuant to the Corporate Income and Franchise Tax Act in an amount equal to 30% of the net cost of operating the child care facility for the taxable year. If two or more taxpayers share in the cost of operating a child care facility primarily for the dependent children of the taxpayers' employees, each taxpayer shall be allowed a credit in relation to the taxpayer's share of the cost of operating the child care facility. Each taxpayer's share of the tax credit shall be determined by dividing the employer's share of the net cost of operating the child care facility by the number of children served and multiplying the result by the number of the taxpayer's employees' children served. The credit allowed pursuant to this subsection may be taken only if the child care facility is operated under the authority of a license issued pursuant to the Public Health Act [Chapter 24, Article 1 NMSA 1978] and is operated without profit by the taxpayer. For the purposes of this section, the term net cost means the cost of operating a child care facility less any amounts collected as fees for use of the facility, any federal tax credits with respect to the facility or its operation and any other payment or reimbursement from any other source other than the credit provided by this section.

C. For the purposes of this section, dependent children means children under twelve years of age.

D. The credit may not exceed \$30,000 in any taxable year. If the credit amount exceeds the corporate income tax liability, the excess may be carried forward for three consecutive years; provided that in no event shall the annual credit amount exceed \$30,000.

Code Section: § 7-2A-14

Link: <http://ow.ly/hcDB50BWtS8>

continued

New Mexico (continued)

FOR PARENTS

Tax Landscape: Nine states do not levy personal income taxes.
(Seven states do not levy personal income taxes and an additional two states do not tax wages. For example, in those states investment income and interest is taxed but wages are not taxed).

Does New Mexico levy taxes on personal income? Yes

Does New Mexico have a dependent care tax credit for parents? Yes, see below for more information

Parent Child Care Tax Credit Description

The New Mexico dependent care tax credit is limited to taxpayers with income under \$31,160. The credit is refundable.

Code Section: § 7-2-18.1

Link: <http://ow.ly/IOcf50BWuDN>

OTHER POTENTIAL REVENUE SOURCES

Check out CED's Child Care Tax Credit Corner web page for other taxes that states may levy (e.g., estate or inheritance taxes, lottery taxes, marijuana taxes, property taxes, sales taxes, and tobacco and vaping taxes).

www.ced.org/child-care-state-tax-credits