

FOSTER YOUTH EMPLOYMENT TAX CREDIT LAW

Creating Incentives for Employers to Hire Current and Former Foster Youth

WHAT IS THE FOSTER YOUTH EMPLOYMENT TAX CREDIT LAW?

NMSA 7-2A-29 / 7-2-18.30 applies to taxable years beginning on or after January 1, 2018. The law was created because young people aging out of foster care leave the child welfare system without the life experiences and necessary family supports to become successful adults. Many are ill-prepared to secure and succeed in their employment and career interests, and few employers are willing to hire these young people who may require additional resources and support.

HOW DOES THE LAW WORK?

Under the Foster Youth Employment Tax Credit Law, taxpayers who employ 'qualified foster youth' for at least 20 hours per week may claim a tax credit of up to \$1,000 of the gross wages paid to each foster youth employed for a full taxable year. For foster youth who are employed for less than a full taxable year, the employer may receive a credit for the fraction of the year for which the foster youth worked. The tax credit can be carried forward up to three years if the credit exceeds the employer's tax liability in the year the credit is claimed.

WHO ARE 'QUALIFIED FOSTER YOUTH'?

For the purposes of this law, a 'qualified foster youth' is an individual:

- Currently in the legal custody of State of New Mexico's Children, Youth, & Families Department or a New Mexico Indian nation, tribe, or pueblo human services; OR
- Who was, within the last seven years, in the legal custody of one of the above entities when they were 14 years or older; AND
- Worked as an employee for at least 20 hours per week; AND
- Was not employed by the employer prior to the year in which the credit was claimed.

Youth should contact their Youth Transition Specialist, call 505-695-6969 or email info.YouthServices@state.nm.us, or contact their tribe to get documentation that they were in foster care.

LEARN MORE by contacting:

Arika E. Sánchez
Director of Policy and Advocacy
NMCAN
505-217-0220
arika.sanchez@nmcan.org
nmcan.org

Lisa Gallegos
Revenue Processing Division
New Mexico Taxation and Revenue Department
505-827-0792
BusinessCredit.Mgr@state.nm.us
tax.newmexico.gov

FOSTER YOUTH EMPLOYMENT TAX CREDIT LAW

For tax years beginning on or after January 1, 2018, a taxpayer who employs a qualified foster youth for at least 20 hours per week in New Mexico is eligible for a credit against the taxpayer's personal or corporate income tax liability for up to \$1,000 for wages paid to each qualified foster youth. If the foster youth's qualified period of employment is less than a full year, the credit for that year is reduced based on the ratio of the qualified period of employment over the full tax year of the employer.

REQUIREMENTS

The following are the requirements for this credit:

- An employer may not receive the credit for any individual qualified foster youth for more than one calendar year from the date of hire.
- Only one employer may receive the credit for a qualified foster youth during a tax year.
- The qualified foster youth was aged fourteen or older within seven years prior to the taxable year for which the tax credit is claimed and was in the legal custody of either the Children, Youth and Families Department (CYFD) pursuant to the Children's Code or in the legal custody of a New Mexico Indian Nation, Tribe or Pueblo, or the United States (US) Department of the Interior Bureau of Indian Affairs (BIA) Division of Human Services.
- The foster youth employment tax credit is only allowed for the employment of a foster youth who was not previously employed by the taxpayer prior to the taxable year for which the credit is claimed.

CARRY FORWARD FOR THREE YEARS

Excess credit is not refundable, but you may carry it forward for up to three years. This credit cannot be transferred to another taxpayer, but it can be allocated based on a taxpayer's ownership interest in a business.

APPLYING FOR THIS CREDIT

To apply for the credit, follow these steps:

- For each eligible foster youth you employed in the tax year, complete RPD-41388, Certification of Eligibility for the Foster Youth Employment Tax Credit.
- On RPD-41389, Application for Foster Youth Employment Tax Credit, show the number of certifications and enter the other required information to establish that you retain the status of an eligible employer.
- Submit the following to the Department:
 - RPD-41388 for each eligible foster youth you employed during the tax year
 - Foster youth employment certification that each employee received from CYFD; a New Mexico Indian tribe, nation, tribe, or pueblo; or the US BIA. Employees can contact CYFD at 505-690-0722.
 - RPD-41389

CLAIMING THIS CREDIT

When you receive approval from the Department, follow these steps to claim the credit:

1. Complete RPD-41390, Foster Youth Employment Tax Credit Claim Form.
2. Complete PIT-CR, including these columns:
 - Column A. Enter F02.
 - Column B. Enter the credit approval number shown on the approved RPD-41389, Foster Youth Employment Tax Credit Application.
 - Column C. Enter the amount of the credit you want to apply to the tax liability.
3. Attach the following to the PIT-1 and submit to the Department:
 - RPD-41390
 - PIT-CR