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FISCAL IMPACT REPORT

SPONSOR <u>Martinez, A</u>	LAST UPDATED <u>2/20/23</u>	ORIGINAL DATE <u>2/6/23</u>
SHORT TITLE <u>Disabled Veteran Property Tax Proof</u>	BILL NUMBER <u>House Bill 186/aHLVMC</u>	ANALYST <u>Graeser</u>

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25	FY26	FY27		
	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact	Recurring	Property Tax Beneficiaries

Parenthesis () indicate revenue decreases.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Veteran's Services Dept		Minimal				General Fund
County Assessors		Minimal				County Assessors

Parenthesis () indicate expenditure decreases.

Sources of Information

LFC Files
LFC FIR for 2022 HB195

Responses Received From

Veteran's Services Department (VSD)
Department of Finance and Administration/Local Government Division (DFA/LGD)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HLVMC Amendment to Bill 186

The House Labor, Veterans and Military Affairs Committee amendment to House Bill 186 clarifies the intent of the bill and emphasizes the proof of eligibility only applies to the current tax year and not to previous tax years.

Synopsis of Original House Bill 186

House Bill 186's stated goal is to provide flexibility regarding proof of eligibility for a disabled veteran's property tax exemption in Section 7-38-17 NMSA 1978. However, the new text may narrow the applicability of the exemption state that "the exemption shall not be allowed for property tax due for previous taxable years." The quoted text partially replaces a potentially obsolete provision.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature (June 19, 2023). The change would affect the 2024 property tax year with payments due in November 2024 and April 2025 of FY25.

FISCAL IMPLICATIONS

The impact of this bill is likely minimal on revenue beneficiaries however administration may be quite difficult. The most likely circumstance where controversy might arise is when a 100 percent disabled veteran or the unmarried surviving spouse purchases a residential property. At closing on this purchase, there would be no means for the title company to properly allocate property taxes to seller and buyer, if the buyer could qualify for the 100 percent disabled veteran's exemption. However, for the title company to honor the exemption, the provisions of this bill would require the disabled veteran to present the VSD certificate to the assessor prior to closing. It is not certain at that point how the assessor would communicate acceptance of the exemption to the title company conducting the closing. Under ordinary circumstances, the property taxes would be paid on behalf of the seller and buyer and the only current mechanism for implementing the exemption would be for the buyer to file a claim for refund with the county.

If the amendment is applicable to a particular situation, it is likely quite limited. Fiscal impact on revenue beneficiaries will be minimal.

VSD anticipates no increase in workload for their benefits division.

SIGNIFICANT ISSUES

The bill does three things: (1) it deletes the largely obsolete Section 7-38-17(H) NMSA 1978 that applied to all veterans, disabled veterans, and veteran's organizations that applied for exemption in 2004 or 2005; (2) specifies that proposed section would apply only to disabled veterans or their unmarried surviving spouse; and (3) apparently prohibits an assessor from allowing a disabled veteran's 100 percent property tax exemption from applying to the tax year previous to the application.

For last year's HB195, House Judiciary proposed a committee substitute that would replace the proposed restriction with an expansion that would allow and require the assessor honor the application for the current property tax year without waiting for the next property tax year. As explained above, however, this provision would be difficult to implement when a disabled veteran first purchases a house.

However, the provisions of the bill would not change the substance of Section 7-38-17 NMSA which provide that when adequate documentation of a head-of-household exemption, regular veteran's exemption, or 100 percent disabled veteran's exemption has been provided, the assessor may not require annual recertification.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the property tax exemption. Although TRD's Property Tax Division (PTD) receives an annual abstract including information on exemptions, PTD is not required to render

this information into a report for the Legislature.

TECHNICAL ISSUES

The 2003 constitutional amendment, which was proposed by H.J.R. 2 (Laws 2003) and adopted at a general election held November 2, 2004, by a vote of 452,386 for and 214,844 against, provides a property tax exemption of each head of family and also to honorably discharged veterans.

The statute repealed in the provisions of this bill contains the specific implementation of the 2003 CA.

LG/al/ne