

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Borrego</u>	<b>LAST UPDATED</b> <u>2/14/23</u>	<b>ORIGINAL DATE</b> <u>2/9/23</u>
<b>SHORT TITLE</b> <u>Firefighter Property Tax Exemption, CA</u>	<b>BILL NUMBER</b> <u>House Joint Resolution 11</u>	<b>ANALYST</b> <u>Graeser</u>

**REVENUE\***  
(dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25	FY26	FY27		
			(\$120.0)	(\$120.0)	Recurring	Counties, Municipalities, Property Taxing Districts
			(\$3.0)	(\$3.0)	Recurring	State General Obligation Bond Fund

Parenthesis ( ) indicate revenue decreases.

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\***  
(dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$150.0-200.0	\$150.0-200.0		Nonrecurring	SOS Election Costs

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Conflicts with House Joint Resolutions 6 and 10

Relates to House Joint Resolution 5

### Sources of Information

LFC Files

No Responses Received

## SUMMARY

### Synopsis of House Joint Resolution 11

House Joint Resolution 11 proposes to amend Article VIII, Section 5, of the New Mexico Constitution to provide full-time firefighters with a property tax exemption of \$5,000. This question would be presented to the voters at the next general election or special election called for that purpose.

The resolution also updates that section and removes obsolete provisions.

This bill does not contain an effective date, and as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed. The question would be on the ballot at the next

general election and, if passed, would have implementing legislation presented in the 2025 legislative session.

## FISCAL IMPLICATIONS

The only immediate fiscal implications of a joint resolution proposing a constitutional amendment are the costs imposed on the Secretary of State.

**Election Costs.** Under Section 1-16-4 NMSA 1978 and the New Mexico Constitution, the Secretary of State (SoS) is required to print samples of the text of each constitutional amendment in both Spanish and English in an amount equal to 10 percent of the registered voters in the state. SoS is also required to publish the samples once a week for four weeks preceding the election in newspapers in every county in the state. The estimated cost per constitutional amendment is \$150 thousand to \$200 thousand depending on the size and number of ballots and if additional ballot stations are needed.

However, if the constitutional amendment is passed by the voters, there would be fiscal consequences to the firefighters affected by the new property tax exemptions. There could also be fiscal consequences to nonfirefighters who could be required through the action of yield-control limits on property tax growth (Section 7-37-7.1 NMSA 1978) to pay slightly more taxes than in the absence of the new exemptions. Finally, local government jurisdictions, including school districts, could experience a slight reduction in their maximum bonding authority and some direct impact in a reduction in obligations (moderated by the action of yield control).

TRD has provided a more complete analysis of the impacts of this proposal:

It is assumed for this analysis that the proposed amendment is approved by the voters in the November 2024 general election and would come into force for FY2026 after enabling legislation is enacted.”

The Taxation and Revenue Department (TRD) estimates that there are approximately 2,170 employed firefighters in New Mexico with a mean annual wage of \$39,940 based on data released by the United States Bureau of Labor Statistics.<sup>1</sup> Firefighters’ yearly mean wage situates them within the second income quintile,<sup>2</sup> and according to the Federal Reserve, home ownership in the second quintile hovers around 57 percent.<sup>3</sup> Hence, TRD assumes that the number of homeowner firefighters that might claim the property tax exemption is about 1,237.

The estimate for taxable property values in New Mexico is based on the median listing price of homes in New Mexico, according to the housing trends published by the Federal Reserve<sup>4</sup>. The value is then grown at the average rate of increase in the median listing price of homes in New Mexico between 2017 and 2021, excluding methodology changes in the calculation of median price of property in 2022 that cause an abnormal growth rate for that year. To estimate the loss in revenue from the proposed amendment, the average

---

<sup>1</sup> [https://www.bls.gov/oes/current/oes\\_nm.htm](https://www.bls.gov/oes/current/oes_nm.htm)

<sup>2</sup> <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc/hinc-05.html>

<sup>3</sup> <https://fred.stlouisfed.org/series/CXUHOMEOWNLB0103M>

<sup>4</sup> <https://fred.stlouisfed.org/series/MEDLISPRINM#0>

mill rate in the state according to the 2021 New Mexico Property Tax Facts published by New Mexico Department of Finance and Administration was used<sup>5</sup>.

Local impacts of the legislation proposed in this bill will vary widely across the state depending on the local trends in property values, the actual population of full-time employed firefighters by the state or a local government in the county, as well as the remaining local authority to adjust property tax rates.

To finally estimate the impact of this legislation, TRD accounted for adjustments in property tax rates that are likely to happen in response to this amendment per the yield control statute (Section 7-37-7.1 NMSA 1978). The ratio of the remaining authority to adjust the mill rates to the maximum allowed in all counties was considered to account for the extent of the revenues lost that will be absorbed by yield control. It was found that approximately 34 percent of the lost revenue will be mitigated due to yield control. However, this effect will vary depending on how willing and able the local administrations are to utilize their remaining operating rate authority. The loss is mostly to local authorities, with approximately 2.5 percent to the state General Obligation Bond (GOB) fund, which is used to make debt service payments on State GOBs.

## SIGNIFICANT ISSUES

Most career and volunteer fire departments deliver a range of services, not just suppressing fires. Modern departments train to respond to vehicle accidents and other types of ordinary and technical rescues. The majority of 911 calls in New Mexico ask for responses to medical emergencies. Therefore, limiting this deduction to “firefighters” might inadvertently exclude other first responders. Most police officers and sheriff’s deputies are first aid trained and frequently respond with firefighters and emergency medical technicians to a number of activities of firefighters. Specialist hazardous materials technicians may be trained firefighters or not. Most EMTs and paramedics employed by fire departments are cross-trained as firefighters, but a number of these highly trained first responders are not employed by fire departments. It would seem the exemption should either be made broader to include all full-time, career first responders or narrowed by definition.

On average this exemption is worth about \$135 per year. In addition, the exemption excludes any firefighter who is institutionalized, homeless or who is occupying a rental unit.

TRD identifies some other policy issues:

An expansion of a property tax exemption for firefighters will continue to erode horizontal equity in property taxes. By basing the exemption on profession, taxpayers in similar economic circumstances or with similar career paths are no longer treated equally. The other side of this exemption is the broader public-good to maintain home ownership and quality of life for firefighters since they risk their health and wellbeing through service to the communities. TRD notes that firefighters employed by the federal government would not appear to be eligible.

The bill would represent an erosion of the local property tax base, which most local governments

---

<sup>5</sup> <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/property-taxes/property-tax-facts/>

rely on for their budgets and operations.

## **PERFORMANCE IMPLICATIONS**

This proposed constitutional amendment has no implications concerning performance or accountability. However, if the amendment is approved by the voters, that legislation would not meet the LFC tax policy of accountability. This is a general criticism of all property tax issues, largely because the property tax valuation is administered by 33 county assessors using largely archaic technology. The state-level administration of the property tax is shared between the Property Tax Division of the Taxation and Revenue Department and the Local Government Division of the Department of Finance and Administration.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HJR5 seeks a constitutional amendment to expand the current 100 percent exemption for 100 percent service-related disabled veterans to allow a deduction for disabled veterans with less than 100 percent service-related disability. The new exemption would be equal to the federal percent of service-related disability.

HJR6 seeks a constitutional amendment to expand the veteran's property tax exemption from \$4,000 to \$10 thousand and to index that amount to inflation.

HJR10 seeks a constitutional amendment to expand the veteran's property tax exemption from \$4,000 to \$5,000 and does not seek to index that amount to inflation.

## **TECHNICAL ISSUES**

The new provisions, if passed by the voters at the general election in November 2024, would require enabling legislation to amend Section 7-37-5 NMSA 1978 in the course of the 2025 legislation session. In most cases, the effect of a tax decrease for all taxpayers can be backdated to the current tax year. However, this proposal results in a shift of taxes between tax advantaged firefighters and non-tax-advantaged property owners. It is safer to assume that the provisions of this bill will apply to the 2026 tax year, with valuations published in May of 2026 and fiscal impact, including any modification of yield-controlled rates, affecting the November 2026 property tax payments. Unlike the exemption for service-related disability in Section 7-35-5.1 NMSA, this exemption is not mandatory and automatic if the people approve the constitutional amendment but will require enabling legislation.

The enabling legislation presented to the 2025 legislature should state clearly the initial tax year that the exemption from property tax would be effective from and that it would be available for each subsequent tax year.

## **OTHER SUBSTANTIVE ISSUES**

In its review of 2021 HJR3, TRD noted the following associated issue:

The Constitution presently states the exemption is "from taxation." Some have questioned whether the exemption from taxation applies to the value of the property or the taxable value of the property (which is 1/3<sup>rd</sup> of the value of the property). TRD proposes no change to the HJR or Constitution to clarify "from taxation" because it would create an inconsistency with

**House Joint Resolution 11 – Page 5**

Section 7-37-4 NMSA 1978, head of household exemption and possible inconsistent application of exemptions.

LG/al/hg/rl/ne