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| LFC Requester: | Jennifer Faubion |
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 01/20/2025 *Check all that apply:*
Bill Number: HB 47 Original Correction
 Amendment Substitute

Sponsor: Rep De La Cruz **Agency Name and Code** 995 NMC
Short Title: Veteran Property Tax Exemptions **Number:** _____
Person Writing Hannah Kase Woods
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------|---------------------------|---------------|
| FY25 | FY26 | | |
| | | | |
| | | | |

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|------|------|---------------------------|---------------|
| FY25 | FY26 | FY27 | | |
| | | | | |
| | | | | |

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY25 | FY26 | FY27 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|--------------|--------------|-------------------|---------------------------|---------------------|
| Total | \$0* | \$34,000,000 | \$39,000,000 | \$73,000,000 | Recurring | Local Governments** |

(Parenthesis () Indicate Expenditure Decreases)

* This is assuming no implementation or risks.

** Only those local governments who cannot increase the mill rate will see revenue loss, otherwise the “cost” is a shift to other property owners in the taxing district.

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

HB 47 will establish implementation of the Constitutional Amendments provided by the voters at the November 5, 2024 election. The proposed legislation also increases and expands the exemption beyond the language in the Constitutional Amendments to include 6-year reservists.

The increase of the “veteran exemption” in NMSA 1978 Section 7-37-5 from the current \$4,000 off taxable value to \$10,000 off taxable value will take effect for the 2026 tax year.

The “disabled veteran exemption” will similarly take effect in tax year 2026. This exemption will exempt property from taxation in an amount based on the percentage of the veteran’s disability as determined by federal law.

FISCAL IMPLICATIONS

Note: Major assumptions underlying fiscal impact include a margin of error for the number of veterans, the increase in mill rates, and the percentage of disability for veterans and the overall taxable value of property owned by veterans. Additionally, the number of reservists is unknown.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

County governments rely predominantly on property tax revenues and will bear the most significant fiscal impacts of the new veteran property tax exemptions. Property taxes contribute to more than half of each county’s annual revenue. Yield control will shift the cost of the new veteran’s exemptions to other property owners except in situations where the county is already at the cap of their mill rate. If the county is at the cap, they are unable to redistribute the burden to other taxpayers and will experience a direct reduction in their property tax revenues.

Special tax districts (i.e. schools, hospitals) do not have the advantage of yield control and are likely to experience a direct reduction in their revenues from the new veteran’s exemptions. Enabling language should consider the fiscal impacts to these entities and any bonds that they may have with pledged tax revenues.

The “veteran exemption” is estimated to shift the operating mill rate property tax burden in the amount of \$17,000,000 to nonveterans in the State of New Mexico through yield control. This will increase the cost to all other property taxpayers, including low income senior citizens and other people with a disability currently on the valuation freeze program.

Additionally, it is important to note that the “veteran exemption” is indexed for inflation, while the existing head of family exemption is not. Therefore, the “value” or property tax savings provided to homeowners by the head of family exemption will diminish over time as the \$10,000 veteran exemption only increases in value. This disparity will grow over time and further shift

the property tax burden to homeowners who are not veterans.

Similarly, the “disabled veteran exemption” is expected to shift a comparable amount to other residential and homeowners through yield control.

The language regarding 6-year reservists was not included in the Constitutional Amendments that were passed by the voters. Including this new group of individuals in the enabling legislation further compounds the fiscal impacts of the new “veteran exemptions” and “disabled veteran exemption.”

The New Mexico Department of Veterans Services has stated that these exemptions are competitive or more competitive than the neighboring state of Texas. Which means more veterans may relocate to New Mexico. This could further shift the tax burden onto other homeowners as more individuals would qualify for the exemptions.

SIGNIFICANT ISSUES

It should be noted that veterans can currently stack the “veteran exemption” if more than one veteran is listed on community or joint property. New Mexico Constitution Article VIII, Section 5 does not require that the veteran exemption only apply to the primary residence. For example, if multiple veterans are on the title, they can currently claim an \$8,000 stacked reduction in property tax valuation for multiple properties including second homes, multi-use properties, non-residential, etc.

The “disabled veteran exemption” is silent on the issue of multiple disabled veterans and the potential of stacking the percentage of disability, however, New Mexico Constitution Article VIII, Section 15 identifies that the exemption is only provided to the principal place of residence. Because the 100% exemption reduced the tax liability to zero (0) this issue was never addressed in legislation nor in the language of the Constitution. Direction must be provided to clarify if two disabled individuals on the same principal property can stack the percentages, if only the higher will be applied, if the higher amount will be applied first and then the lower percentage applied to the remainder, etc. Without clear direction from the legislation or a mandate for Taxation and Revenue to promulgate regulations there is a potential for inconsistencies in implementation by county Assessors.

Additionally, there are concerns about the Constitutional Amendments dates conflicting with the legislative implementation dates in the for the “veteran exemption.” The legislation identifies implementation for the 2026 tax year, instead of 2024. Counties believe that a 2025 or 2026 implementing date would avoid tax roll corrections or issuing refunds. The 2024 date would also be problematic for counties at their mill rate cap as they could experience a direct revenue shortfall that they have not had the ability to plan for in their current fiscal year budgets.

The dates proposed for the “disable veteran exemption” are also critical to the implementation of this new exemption. It is impossible to determine the fiscal impact to county budgets until an individual, with a specific percentage of disability, files for the exemption on a specific property. For example, a 40% disabled veteran receiving a discount on a \$100,000 property would diminish the taxable value by \$40,000. If that same individual owned a \$1,000,000 property, the taxable value would diminish by \$400,000. This nuance tied to the specific individual and the individual property make it impossible for counties to fully understand the financial impact to their budgets until the exemption is filed. This is the reason that a deadline for the disability exemption in 2025, for implementation in 2026, is imperative in the enabling language.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

County Assessors are responsible for identifying and implementing both exemptions. The expansion of the “veteran exemption” to include reservists will result in additional FTE to process the applications and systems.

Similarly, the expansions to disabled veterans in an amount based on the percentage of the veteran’s disability, as determined by federal law, places a heavy administrative burden on county Assessors. County Assessors do not have the resources nor expertise to determine eligibility or the percentage of disability for veterans. Currently the New Mexico Department of Veterans Services issues certification of eligibility for veterans that are provided by the veterans to the county Assessors. The requirements and administrative implications for the issuance of a percentage certificate by New Mexico Department of Veterans is unknown.

Annual deadlines for the “veteran exemption” and “veteran disability exemption” should be required to ensure that exemptions are considered within the confines of the existing property tax cycle. If a veteran submits an exemption request after the deadline, the benefit should not be applied until the subsequent tax year.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS