

SECTION III: NARRATIVE

BILL SUMMARY

House Bill 293 (HB 293) proposes to remove the income tax cap for social security exemptions. Currently, individuals married but filing separately who have an adjusted gross income of \$75,000 or more, individuals who are head of household, surviving spouse and married filers with a gross income of \$150,000 or more, and individuals with a gross income of \$100,00 or more are exempt from the social security income tax. HB 293 eliminates all income requirement language for all categories of social security recipient tax filers. HB 293 allows all individuals regardless of income to claim a social security tax exemption as long as it does not exceed the individual's net income.

FISCAL IMPLICATIONS

There are no fiscal implications to the Aging and Long-Term Services Department.

SIGNIFICANT ISSUES Currently the majority of states do not tax social security income.¹ New Mexico is one of nine states that currently does tax social security in some form.² Removing the current income caps and exempting all social security income will overwhelmingly benefit high-income seniors who have other sources of income and do not rely solely on social security. Seniors with adjusted gross income levels less than two to three times the poverty standard, do not pay taxes and will see no impact from this amended bill. Further, removing all income caps on social security tax may additionally impact state funded programs for lower-income New Mexicans that are funded by taxes.

Removing income caps on all social security income could potentially attract older adults to relocate to New Mexico for tax benefits purposes. However, New Mexico currently has relatively low property taxes³ which may also entice older adults to relocate to New Mexico for retirement. However, New Mexico currently has relatively low property taxes⁴, which may also entice older adults to relocate to New Mexico for retirement. Therefore, a holistic evaluation should be considered when examining the true benefit of removing income caps on social security.

PERFORMANCE IMPLICATIONS No performance implications for ALTSD.

ADMINISTRATIVE IMPLICATIONS No administrative implications for ALTSD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplication: SB184

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

¹ <https://www.kiplinger.com/retirement/social-security/603803/states-that-tax-social-security-benefits>

² *Id.*

³ <https://taxfoundation.org/location/new-mexico/>

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The current income caps on social security tax will remain requiring certain recipients of social security to pay taxes on social security.

AMENDMENTS