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## FISCAL IMPACT REPORT

LAST UPDATED 3/4/2025  
ORIGINAL DATE 3/1/2025

SPONSOR Hamblen/Jaramillo

BILL  
NUMBER Senate Bill 473

SHORT TITLE Volunteer Search and Rescue Tax Credit

ANALYST Gray

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT	\$0	(\$1,200.0)	(\$1,200.0)	(\$1,200.0)	(\$1,200.0)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.  
\*Amounts reflect most recent analysis of this legislation.

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

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD		\$47.8			Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.  
\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From  
Department of Public Safety (DPS)  
Taxation and Revenue Department (TRD)

## SUMMARY

### Synopsis of Senate Bill 473

Senate Bill 473 (SB473) creates an up to \$1,000 refundable tax credit for search and rescue volunteers. The credit is available to taxpayers who volunteer 12 or more times or a total of 120 total hours. A smaller \$500 credit is available to taxpayers who volunteer between six and 11 times or between 60 hours and 120 hours.

A taxpayer must be certified by the state search and rescue resource officer in the Department of Safety (DPS). The aggregate tax credit is capped at \$3 million per year.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted. The provisions of the bill are applicable to tax years beginning 2025.

## FISCAL IMPLICATIONS

This bill creates a tax expenditure that is estimated to reduce recurring general fund revenues by \$1.2 million in FY26. Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

This analysis assumes there are 980 active search and rescue volunteers in New Mexico, based on an estimate provided by DPS. This analysis assumes that the bill will increase the number of search and rescue volunteers by 25 percent because of the significant financial incentive. Actual behavioral change could be larger and this poses a downside risk to this estimate. The magnitude of this risk is relatively small, especially because of the \$3 million aggregate cap which limits the general fund's exposure to revenue loss.

Lastly, the analysis assumes that all the volunteers will claim the \$1,000 credit. This is a conservative assumption. Actual take-up rates may be lower and some volunteers will only be eligible for the \$500 credit.

Analysis from the Taxation and Revenue Department (TRD) estimates the bill will reduce recurring general fund revenue by \$980 thousand beginning in FY26. LFC and TRD analysis used similar methodology, but the TRD analysis does not assume any behavioral change, producing a smaller overall impact. TRD expects a moderate nonrecurring operating budget impact of \$47.8 thousand in FY26 to implement the provisions of the bill.

## SIGNIFICANT ISSUES

Horizontal equity is a core tenet of tax policy that holds that taxpayers with similar income and circumstances should be treated similarly under the tax code. This provision erodes that principle by favoring some taxpayers with the same income because of their choice to volunteer for search and rescue. Policymakers may tolerate or approve of such a horizontal disparity if they believe the incentive for increased volunteerism and associated improved outcome in search and rescues activities outweighs the costs of a less horizontally equitable tax code.

Analysis from DPS asserts that the bill will promote volunteerism by providing a financial incentive. The agency notes that volunteers are an important feature in the state's ability to respond to emergencies. The agency writes:

Volunteer search and rescue teams often collaborate with local law enforcement, state agencies, and other organizations. This bill can encourage collaboration and coordination between DPS and other local search and rescue teams, making responses more efficient. It further strengthens relationships with community members who have a vested interest in the safety of their peers, fostering a collective effort to protect and aid the public.

New Mexico faces a variety of natural disasters and unique terrain that require the constant availability of search and rescue services. By supporting volunteers, the state

bolsters its capacity to respond to these challenges, ultimately contributing to the overall safety and well-being of its residents.

The agency notes that there is an unequal distribution of search and rescue missions across the state, and that search and rescue volunteers in the Albuquerque metropolitan area would primarily benefit from the tax credit as they would meet the criteria. In contrast, smaller towns and rural areas have fewer deployments and “would likely not qualify.” The agency asserts that it would be “more advantageous to establish a minimum of 60 to 120 hours rather than setting a specific requirement for the number of deployments or missions.”

Additionally, even the larger tax credit provides a relatively small incentive per-hour volunteered. Assuming a taxpayer volunteers for 120 hours and claims the tax credit, the taxpayer would receive an incentive equal to \$8.30 per hour volunteered. The volunteer likely already receives a nonmonetary “utility” from engaging in volunteerism; this intrinsic value would be unchanged by the bill. However, SB473 may increase the reliability of the pool of volunteers, as there is an additional incentive for volunteering more frequently than the taxpayer would have otherwise.

**Design Considerations.** A volunteer who engages in 11 missions (or 119 hours) gets half the credit amount compared to a volunteer who engages in 12 missions (or 120 hours), even though their contribution is effectively identical. Similarly, a volunteer who engages in five missions (or 59 hours) is not eligible for a credit while a volunteer with six missions (or 60 hours) is eligible for a \$500 credit. This “cliff effect” may create misaligned incentives for volunteers who may attempt to frequent easier, less urgent missions over more difficult ones. It may also benefit volunteers with more flexible schedules or fewer personal constraints, which may or may not be aligned with the overall goal of search and rescue operations.

Some of these concerns could be mitigated with design changes, such as a more gradual scale, a credit offered proportionally to total volunteer hours, or a more even credit distribution. However, adopting these considerations would increase the administrative complexity for both DPS, TRD, and the taxpayer.

TRD analysis notes that volunteers are required to participate in a variety of training courses and certifications and that they are required to acquire personal gear and clothing, all of which come at a personal cost to the volunteer. The agency notes that there are four components of a mandatory field certification:

1. Successful completion of certain Federal Emergency Management Administration requirements,
2. A gear and clothing check,
3. A compass field test, and
4. A written test on the material in a search and rescue study guide.

## OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.

- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
<b>Vetted:</b> The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✘	<b>This bill has not been vetted by an interim tax committee.</b>
<b>Targeted:</b> The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	✘	These components are not provided by the bill.
<b>Transparent:</b> The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✔	The credit is required to be included in the annual tax expenditure report.
<b>Accountable:</b> The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	✔	The bill contains a delayed repeal of January 1, 2036.
<b>Effective:</b> The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure. Fulfills stated purpose Passes “but for” test	?	It is unclear whether the bill meets these criteria.
<b>Efficient:</b> The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✔ Met ✘ Not Met ? Unclear		