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FISCAL IMPACT REPORT

SPONSOR Campos DATE TYPED 1/31/05 HB 164

SHORT TITLE Survivor Benefits Income Tax Deduction SB _____

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
N.A.	\$1.0	\$5.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Taxation and Revenue Department (TRD)

SUMMARY

House Bill 164 would allow an income tax deduction for survivor benefits for a peace officer, fire fighter or a member of the U.S. armed services killed in the line of duty.

The deduction would be an amount equal to survivor benefits that are not retirement benefits and includable in base income.

The provisions of the bill would apply to tax years beginning on or after January 1, 2006.

FISCAL IMPLICATIONS

TRD estimates that this bill would have a small impact on state general fund revenues. The cost in FY05 is \$1 thousand and in FY06 is \$5 thousand.

The department's calculations assume that the number of New Mexico peace officers, fire fighters and members of the armed services killed in the line of duty is proportional to the U.S. total. That is, since New Mexico represents 0.64 percent of the total U.S. population, the number of persons lost to duty would be approximately 0.64 percent. They assume total lives lost in the line of duty from these professions is around 1,800 (107 firefighters, 164 peace officers and 1,500 armed service personnel). Based on these numbers, they assume that the number of surviving dependents would be less than 15. The value of survivor benefits is not explicitly accounted for, but assuming a 3.2 percent tax rate and 15 survivor benefits and a \$5 thousand fiscal impact, implies that the value of these benefits average about \$10 thousand per survivor, and the

average tax savings would be a little over \$300.

ADMINISTRATIVE IMPLICATIONS

TRD reports that administrative costs would be modest and could be administered with existing resources.

BT/yr:sb