

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

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR HTRC DATE TYPED 3/18/05 HB 743/HTRCS/aSFC

SHORT TITLE Veterans' Property Tax Exemption & Rebates SB \_\_\_\_\_

ANALYST Wilson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		See Narrative		

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Veterans Services (DVS)  
Taxation & Revenue Department (TRD)

### SUMMARY

#### Synopsis of SFC Amendment

The Senate Finance Committee amendment removes the HTRC amendments.

The amendment also removes the requirement that a county treasurer shall pay a cash refund to a taxpayer in an amount equal to the reduction in tax liability resulting from the veteran exemption for which the taxpayer would have been eligible for the 2004 property tax year if the taxpayer met certain requirements.

Synopsis of HTRC Amendment

The House Taxation and Revenue amendment to the House Taxation and Revenue Committee Substitute for House Bill 743 deletes language excepting a person who was dishonorably discharged or discharged for misconduct. This language was unnecessary to implement the intent of this bill.

Synopsis of Original HTRC Substitute

The House Taxation & Revenue Committee Substitute to House Bill 743 adopts the changes ratified in the constitutional amendment passed on the November 2004 general election ballot. The voters decided to expand the group of veterans eligible for property tax exemptions. Prior to this amendment, only honorably discharged veterans who served during periods of armed conflict were eligible for the exemption. The constitutional amendment approved by the voters allows all honorably discharged veterans the exemption, irrespective of whether they served during periods of armed conflict.

**FISCAL IMPLICATIONS**

The Taxation and Revenue Department (TRD) provides a statewide average residential rate of approximately 26.5 mills and estimates an additional 60,000 veterans will claim the exemptions.

- In 2004 the exemption on taxable property is \$3,000 per newly added veteran. The total amount of relief granted to newly qualified veterans would have been approximately \$4,800,000. The average benefit to claimants is approximately  $(\$26.50/\$1,000) \times \$3,000 = \$79.50$ , the statewide average property tax rate multiplied by the exemption amount.
- In 2005 the exemption on taxable property will be \$3,500 per newly added veteran. The total amount of relief granted to newly qualified veterans will be approximately \$5,600,000. The average benefit to claimants is approximately  $(\$26.50/\$1,000) \times \$3,500 = \$92.75$  assuming the rate remains unchanged in 2005.
- In 2006 and all years after, when the exemption on taxable property will be \$4,000 per newly added veteran. The total amount granted to newly qualified veterans will be approximately \$6,400,000. The average benefit to claimants is approximately  $(\$26.50/\$1,000) \times \$4,000 = \$106.00$  assuming the 2004 rate is the same as in 2004.

These figures should, however, be considered a rough approximation and will depend on the extent of participation by veterans.

If the 2004 and 2005 veterans were provided through the traditional property tax system mechanism, tax reductions to the newly qualified veterans would total approximately

\$10.4 million – the sum of the \$4.8 million that they would have received in tax year 2004, and the \$5.6 million they would have received in 2005.

However, TRD has provided information regarding current law which will adjust rates to offset the exemptions. This bill is, therefore revenue neutral to the counties and the State.

**ADMINISTRATIVE IMPLICATIONS**

The Department of Veterans' Services will revise the application now being used to show the changes in statute. The dates of service requirements will be removed from the application.

The Veterans' Services Department will process all applications and issue the certificates to eligible veterans and surviving spouses. The SBD currently processes an average of 3,500 certificates per year. The work load will increase for this division by an estimated 200%. There is currently one FTE and one Temp that are processing these applications as well as processing applications for all other state veterans' benefits.

The administrative cost to the counties is unknown, but there will be a substantial amount of veterans' certificates to be processed.

**DW/lg:yr**