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FISCAL IMPACT REPORT

SPONSOR Foley **DATE TYPED** 2-18-2005 **HB** 1016

SHORT TITLE Retirement Tax Savings Account Income Taxes **SB** _____

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(\$80,000.0)	(\$160,000.0)	Similar	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department

SUMMARY

House Bill 1016 amends the Income Tax by allowing a deduction for certain withdrawals from retirement tax savings account.

Persons fifty-nine and one-half or older would be permitted to claim a deduction equal to deductions from a qualified retirement account, a deferred compensation plan or a thrift savings fund.

Persons under fifty nine and one-half would be permitted to claim a deduction from withdrawals from those accounts if the withdrawals are used for either medical care expenses or higher education expenses permitted by the Internal Revenue Code.

Provisions of the bill would be applicable as of January 1, 2005.

FISCAL IMPLICATIONS

TRD estimates that this legislation would reduce general fund revenues by \$160 million on a full-year basis. The estimate is based on IRS statistics that show New Mexicans reported \$2.9 billion of income that would qualify for the deduction as of 2003. They assume this tax base has grown by 10 percent in the subsequent two-years to \$3.3 billion. Applying an average rate of 5 percent, they arrive at the full-year estimate of \$160 million. The FY05 estimate represents an accrual of half the full year impact.

ADMINISTRATIVE IMPLICATIONS

TRD reported that the bill would not impose any administrative difficulties.

TECHNICAL ISSUES

TRD submitted the following technical issue:

The bill refers to provisions of the Internal Revenue Code to identify the plans from which withdrawals will qualify, to avoid problems if concepts of qualified retirement plans are revised. It would probably be appropriate, however, to add, after all references to the Internal Revenue Code: "as amended or renumbered".

BT/lg