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FISCAL IMPACT REPORT

	ORIGINAL DATE 2/1/06		
SPONSOR Stapleton	LAST UPDATED _____	HB HJR 9	_____
SHORT TITLE PROPERTY TAXES OF CERTAIN ORGANIZATIONS, CA		SB	_____
		ANALYST Francis	_____

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	NFI			
	See Narrative for Detail			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Joint Resolution 9 proposes to amend the New Mexico Constitution to exempt fraternal societies, orders and associations from property taxes under certain conditions. The fraternal order must provide for the payment of life, sick, accident and other benefits. They also must have been granted a federal income tax exemption. The order can not conduct gaming activities.

The amendment will go before the voters in the next general election.

FISCAL IMPLICATIONS

The fiscal impact is primarily on the local governments. Due to “yield control,” there is no net fiscal impact but rather the property tax that would have been paid by the fraternal orders gets shifted to other taxpayers in the form of higher mill rates. TRD reports that because of the way the property tax rates are set, there is no impact but rather the rates will be adjusted for all taxpayers as the proportions of valuation changes. The millage rates for property taxes are set according to the need (for debt service, etc) so the rates adjust for all taxpayers to ensure that the same total amount of revenue is generated. This is the “yield control” provision of property tax rate setting.

TRD has previously reported that the value of the property is approximately \$12.4 million and, using an average 30-mill, \$372 thousand in property taxes will be shifted to non-exempt tax payers.

SIGNIFICANT ISSUES

To be considered a 501(c)(8) organization, the organization must be fraternal in nature, operate under the lodge system, and provide for the payment of life, sick, accident or other benefits to its members. An example would be the Fraternal Order of Police which provides benefits to its members made up of the police force. The IRS defines “fraternal” as sharing common ties and coming together for a common purpose.

HJR 9 does not include 501(c)(10) organizations, which do not provide benefits to members but are fraternal charitable organizations. The earnings of these organizations are devoted to community charitable purposes.

Article 8, Section 3 of the NM Constitution refers to certain tax exempt properties:

The property of the United States, the state and all counties, towns, cities and school districts and other municipal corporations, public libraries, community ditches and all laterals thereof, all church property not used for commercial purposes, all property used for educational or charitable purposes, all cemeteries not used or held for private or corporate profit and all bonds of the state of New Mexico, and of the counties, municipalities and districts thereof shall be exempt from taxation.