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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/08

SPONSOR Jennings LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Personal Exceptions Tax Credit SB 526

ANALYST Francis

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
500.0		Nonrecurring	General Fund – TRD budget

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(47,300.0)		Nonrecurring	General Fund

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 526 creates a one time tax rebate for New Mexico taxpayers that must be paid out by December 15, 2008, by the secretary of TRD. The rebate changes value with income and the number of exemptions as shown in the table below:

Adjusted Gross Income:		Number of exemptions:					
Over	But not over:	1	2	3	4	5	6
\$0	\$10,000	\$56	\$88	\$108	\$120	\$133	\$140
\$10,000	\$20,000	\$52	\$80	\$101	\$112	\$119	\$123
\$20,000	\$35,000	\$49	\$73	\$91	\$98	\$102	\$106
\$35,000	\$45,000	\$46	\$67	\$81	\$88	\$91	\$95
\$45,000	\$60,000	\$28	\$39	\$46	\$49	\$52	\$55
\$60,000	No Limit	\$24	\$32	\$39	\$40	\$42	\$45

There is an emergency clause and so will take effect upon signature of the Governor.

**FISCAL IMPLICATIONS**

According to TRD, data from 2006 tax year returns multiplied by the credit amounts shown above were the basis of the \$47.2 million impact estimate shown above. Slightly less than \$46 million would be paid to taxpayers based on tax year 2006 returns. This figure was increased by the forecast 1.4% annual population growth to generate the estimate for FY09.

**SIGNIFICANT ISSUES**

This rebate is identical in form to the tax rebate approved in 2005 at the 2005 special session. Only the value of the credit has changed. That credit was designed to help New Mexicans cope with high gasoline and heating prices with the surge in energy prices following the Katrina and Rita hurricanes in the Gulf of Mexico. Now, there are many indications that the economy is slowing down and the national economy is either in recession or very near to it. Combined with the crash in the housing markets and declines in manufacturing employment, the economic conditions are such that consumers may ratchet back their expenditures and have difficulty paying bills.

The table below shows the distribution of the rebate.

**TRD Analysis of the Distribution of the Credit, by Income Class  
(Based on Tax Year 2006 Data)**

Adjusted Gross Income	Proposed Credit		
	Number of Returns	Total (000)	Average
Under \$10,000	155,259	\$10,843	\$70
\$10,000-\$20,000	144,555	\$10,530	\$73
\$20,000-\$35,000	159,404	\$11,014	\$69
\$35,000-\$45,000	69,804	\$4,477	\$64
\$45,000-\$60,000	74,712	\$2,878	\$39
\$60,000 or more	183,656	\$6,232	\$34
Total <sup>1</sup>	794,769	\$45,973	\$58

<sup>1</sup> Returns with negative AGI are excluded from the lowest income group but included in the totals.

**ADMINISTRATIVE IMPLICATIONS**

TRD was able to process and deliver all of the 2005 rebates in a matter of months within the \$500 thousand appropriation the agency received at that time. There is more time in this bill for them to process and so should not be an administrative burden.

**TECHNICAL ISSUES**

The bill allows TRD till December 15, 2008, to process rebates and if the economy slows it is more likely to slow earlier this year than at the end of the year.

NF/jp