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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/09

SPONSOR Barela LAST UPDATED _____ HB HJR4

SHORT TITLE National Guard Property Tax Exemption, CA SB _____

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	NFI – See Narrative			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Veterans' Services Department (VSD)

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Joint Resolution 4 proposes to amend the NM Constitution to include members of the National Guard who are discharged unless the member was discharged for misconduct under the definition of "member of the armed services" in Article 8, Section 5. The exemption is currently \$4,000.

If enacted, the question would be put to the voters at the next general election.

FISCAL IMPLICATIONS

Assuming there are 600 National Guard members honorably discharged each year and they have a similar homeownership rate as New Mexicans in general, 420 would receive the exemption of \$4,000. At an average residential property tax rate of \$26.62 per \$1,000 of assessed value, the exemption would be worth \$106.50 per member for a combined total of approximately \$45,000 statewide. However, overall property tax revenue is a complicated formula and so other taxpayers' rates would likely go up to make up the difference and there would be no net fiscal impact.

SIGNIFICANT ISSUES

VSD:

Currently, New Mexico has just over 4,500 National Guard members. Only those members who have served more than 90 days of active duty other than for training can take advantage of the veterans property tax exemption, those who have not been called up to federal active duty for more than 90 days do not currently qualify regardless of their time in the National Guard. About 2,000 current members of the National Guard now qualify for the exemption.

ADMINISTRATIVE IMPLICATIONS

Provisions of the proposed measure would impose no significant impacts on the Taxation and Revenue Department. Minor impacts would be imposed on the Department if voters approved the proposed amendment.

The Veterans' Services Department notes that NMDVS administers the current Veterans Property Tax Exemption program. There will be an increase of applications initially but should level off after the first year of the program.

OTHER SUBSTANTIVE ISSUES

Honorably discharged members of the Army Reserve might warrant the same treatment as veterans of the National Guard.

ALTERNATIVES

A similar bill was proposed in 2008 and was amended to state “honorably” discharged.

BLG/svb

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc