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## FISCAL IMPACT REPORT

SPONSOR Garcia, M.P. ORIGINAL DATE 01/25/12  
 LAST UPDATED \_\_\_\_\_ HJR 8

SHORT TITLE Property Tax Exemption for People Over 75, CA SB \_\_\_\_\_

ANALYST Walker-Moran/Hoffmann

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY12	FY13	FY14	FY15	FY16		
--	--	--	See Fiscal Implications		R	Property Tax Beneficiaries
-	-	-	See Fiscal Implications		R	GO Bond Capacity

\*In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Nonrecurring (NR).

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY12	FY13	FY14	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$104.0		\$104.0	Nonrecurring	Secretary of State Operating

(Parenthesis ( ) Indicate Expenditure Decreases)

Companion to HJR9

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

Attorney General's Office (AGO)

Aging and Long-Term Services Department (ALTSD)

## SUMMARY

### Synopsis of Bill

House Joint Resolution 9 proposes an amendment to Article 8 of the New Mexico Constitution to exempt from taxation the property, including the community or joint property of a husband and wife, of a person who is 75 years of age or older and whose annual modified gross income (MGI) is \$15,000 or less, if the person occupies the property as their principal place of residence.

The constitutional amendment proposed by HJR-8 would become effective upon adoption by the electorate.

## FISCAL IMPLICATIONS

The TRD provided the following analysis of the impact on New Mexico taxpayers.

\*\*\* The bill would impose no fiscal impacts on the State of New Mexico or local governments unless voters approved the amendment it proposes. The reduction in the property tax base due to this exemption would cause tax rates to rise, where not already limited by caps or by yield control, to compensate for the loss in the base. Qualifying for the proposed exemption would require taxpayers to meet three conditions: 1) age 75 or over; 2) MGI no more than \$15,000; and 3) own and occupy their residence. According to census data<sup>1</sup>, 5.7 percent of New Mexico's population is between 75 years of age or older. Approximately 69 percent of New Mexico residents own and occupy their homes. Approximately 30 percent of the population reports a modified gross income or its equivalent of less than \$15,000. Hence roughly one percent of the state's population would likely be eligible for the proposed exemption based on the numbers mentioned above (5.7% x 69% x 30% = 1.18%). This figure is probably overstated because many of the individuals aged 75 and over are in nursing homes or assisted living arrangements.

The earliest this constitutional amendment will have any effect on revenues is FY2015 assuming the amendment is submitted for voter approval in the November 2012 general election.

There are also costs for putting a constitutional amendment before the state's voters. The Secretary of State reports that in accordance with Section 1-16-4 NMSA 1978, upon receipt of the certified proposed constitutional amendment or other question from the Secretary of State, the county clerk shall include it in the proclamation to be issued and shall publish the full text of each proposed Constitutional amendment or other question in accordance with the constitution of New Mexico.

Although the county clerk includes the proposed amendments in the clerk's proclamation, it is the responsibility of the State to pay for the costs associated with the publication per Section 1-16-13 NMSA 1978, including printing samples of the text of each constitutional amendment in both Spanish and English in an amount equal to ten percent of the registered voters of the state.

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<sup>1</sup> [http://factfinder.census.gov/servlet/ADPTable?\\_bm=y&-geo\\_id=04000US35&-qr\\_name=ACS\\_2009\\_3YR\\_G00\\_DP3YR5&-ds\\_name=ACS\\_2009\\_3YR\\_G00\\_&-lang=en&-redoLog=false&-sse=on](http://factfinder.census.gov/servlet/ADPTable?_bm=y&-geo_id=04000US35&-qr_name=ACS_2009_3YR_G00_DP3YR5&-ds_name=ACS_2009_3YR_G00_&-lang=en&-redoLog=false&-sse=on)

There are currently 1.7 million registered voters in the state. Voters whose election mail is returned as undeliverable will be sent the proper notice under federal law in 2012, and if they do not vote in the next two federal elections, may be purged in 2015. Under these timelines, the voter roll is expected to increase until the purge in 2015.

The SOS reports that in 2010, the publication cost was \$520,000 for 5 constitutional amendments, or approximately \$104,000 per amendment. Although the SOS is continually seeking ways to reduce publication costs, it believes the 2010 figure is a reasonable projection for 2012 costs, given the increasing number of voter registrations.

## **SIGNIFICANT ISSUES**

The TRD reports that New Mexico statutes currently assist low-income taxpayers in a variety of ways. A rebate against property taxes paid by low-income taxpayers aged 65 years or older is allowed under Section 7-2-18, NMSA 1978. It is provided to residents who own property, as well as to individuals who rent their principal places of residence. Section 7-2-14.3 NMSA 1978 provides for a county option rebate against property taxes. Section 7-36-21.3 NMSA 1978 eliminates assessed value increases on property owned and occupied by elderly low-income or disabled taxpayers.

The ALTSD provided the information below on the elderly in New Mexico.

Although there are 118,461 people age 75 and over in New Mexico (U.S. Census, 2010), ALTSD does not have data on how many have modified gross incomes of \$15,000 or less annually, are receiving ALTSD services and are homeowners who might benefit from elimination of their property tax. In general, eliminating property taxes for this segment of the population might help some older adults and those with disabilities remain more independent and self-sufficient by increasing their disposable income for basics, such as medications, food, medical care, transportation and home maintenance.

The Department has the results of research in 2009-2010 which developed an Elder Economic Security Index (EESI) for New Mexico, including individual counties. The EESI includes food, housing, transportation, health care, miscellaneous expenses and, when appropriate, home and community-based long-term care services. (Research Report: The Elder Economic Security Standard Index for New Mexico, the Gerontology Institute, University of Massachusetts Boston and Wider Opportunities for Women, 2010)

Key findings of this research are:

- According to the US Census Bureau, 13% of New Mexico elders live below the federal poverty level (FPL) (\$10,830 per year for a single elder in 2009) and 25% have incomes under 150% of the FPL or \$16,245 per year. Social Security is the only source of income for about 30% of retired New Mexico seniors. Yet average living costs for an elder in the state range from \$14,676 to \$22,524, while the average Social Security payment is \$11,560 for women and \$15,387 for men.
- In most counties in New Mexico, elders cannot meet their basic living expenses if they live at the federal poverty level or the level of the average Social Security benefit. This is true of elders statewide, whether they rent or own a home. Housing costs (mortgage or

rent, taxes, utilities and insurance) put a heavy burden on some elder households, representing as much as half of their total expenses.

### **ADMINISTRATIVE IMPLICATIONS**

The TRD notes the relatively minor administrative costs associated with the proposed measure would be borne primarily by counties.

### **COMPANIONSHIP**

This is a companion to House Joint Resolution 9, which proposes a constitutional amendment to provide a property tax exemption for low-income persons who are one hundred percent disabled.

### **POSSIBLE QUESTIONS**

Does the bill meet the LFC tax policy principles?

Adequacy: Revenue should be adequate to fund needed government services.

Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.

Equity: Different taxpayers should be treated fairly.

Simplicity: Collection should be simple and easily understood.

Accountability: Preferences should be easy to monitor and evaluate

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