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FISCAL IMPACT REPORT

ORIGINAL DATE 02/02/13

SPONSOR Sharer LAST UPDATED _____ HB _____

SHORT TITLE Uniformed Service Retiree Tax Exemption SB 96

ANALYST Smith

APPROPRIATION (dollars in thousands)

Appropriation					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
\$0.0	(\$3,106.0)	(\$9,562.0)	(\$16,521.0)	(\$24,021.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 15

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

FISCAL IMPLICATIONS

TRD collected information from the Statistical Report on the Military Retirement System published by the Department of Defense was used to estimate the fiscal impact. Approximately 21,000 armed forces retirees and 3000 surviving spouses are expected to qualify for this credit. These populations were multiplied by the average annual retiree payment or the average annual surviving spouse payment using the data from the Department of Defense and the relevant percentages for the retirement or retainer pay credit mentioned above were applied. Federal fiscal year numbers were then converted to match New Mexico fiscal years. A 4 percent average personal income tax rate was used to estimate the fiscal impact. This estimate assumes taxpayer estimated payments will be adjusted in tax year beginning 2014.

SIGNIFICANT ISSUES

2011 Census data shows that almost 10 percent of NM veterans live in poverty. These veterans pay no income tax in any case and therefore would not benefit from the exemption.

Income tax credits are by nature regressive; a general officer will receive a greater benefit than a private soldier.

TECHNICAL ISSUES

TRD notes the possibility that the employee can qualify for both this exemption and the employer qualify for the veteran’s employment tax credit enacted last year (Section 7-2-18.28 NMSA 1978).

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

OTHER SUBSTANTIVE ISSUES

Veterans groups are supportive of this bill.

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| <p>Does the bill meet the Legislative Finance Committee tax policy principles?</p> <ol style="list-style-type: none">1. Adequacy: Revenue should be adequate to fund needed government services.2. Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.3. Equity: Different taxpayers should be treated fairly.4. Simplicity: Collection should be simple and easily understood.5. Accountability: Preferences should be easy to monitor and evaluate |
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