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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/14

SPONSOR Cotter LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Income Tax Exemption Age SB 200

ANALYST Dorbecker

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16	FY17	FY18		
	(\$390.0)	(\$400.0)	(\$410.0)	(\$425.0)	Recurring	General Fund

Parenthesis ( ) indicate revenue decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 200 proposes an amendment to Section 7-2-5.7 NMSA 1978 of the Income Tax Act changing the age of a person that is exempt from state income tax from one hundred years of age to ninety-seven years of age.

There is no effective date of this bill. It is assumed that the new effective date is 90 days after this session ends. Applicable to taxable years beginning on or after January 1, 2014.

### FISCAL IMPLICATIONS

According to the Taxation and Revenue Department (TRD), 75 people applied for this exemption in 2012 representing approximately \$2.7 million dollars in deductions of personal income tax. According to the latest decennial census, the United States population between 97 and 99 year olds was about 3.3 times greater than the population of 100 years old and over. TRD assumes the New Mexico population has the same pattern as the United States. Hence, the population of 97-99 year olds in the state was estimated to be about 250. Applying an average annual income of \$36,000 to this population, about \$9 million dollars would be deducted from personal income. The revenue cost would be \$360,000 using an average 4 percent tax rate. TRD used an average rate of growth of 3 percent to calculate the future years' fiscal impact.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency and equity. Due to the increasing cost of tax expenditures revenues may be insufficient to cover growing recurring appropriations.

### PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

### ADMINISTRATIVE IMPLICATIONS

TRD estimates a minimal administrative impact. Form, instructions and publications will need to be revised. The changes would be made at no additional cost as part of the annual renewal of the income tax program. It involves minor changes in GenTax and the Taxpayer Access Point system which could be completed with year-end changes, and will total about 80 hours.

Does the bill meet the Legislative Finance Committee tax policy principles?

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