

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 3, 2025

Bill: HGEIC Sub. for HB-47

Sponsor: Representatives Art De La Cruz and Alan T. Martinez

Short Title: Veteran Property Tax Exemptions

Description: This House Government, Elections and Indian Affairs Committee Substitute amends Section 7-37-5 NMSA 1978 to increase the veteran exemption from \$4,000 to \$10,000 for 2025, adjusted for inflation in 2026 and subsequent tax years. Section 7-37-5.1 NMSA 1978 is amended to change the requirement that an eligible veteran must have a one hundred percent permanent service-connected disability to be eligible for exemption. Instead, the exemption shall be based on the percentage of the veteran’s disability. The changes are made to reflect constitutional amendments passed by voters in the last general election in November 2024.

Effective Date: Emergency clause; effective immediately upon signing. Applicable to 2025 and subsequent property tax years.

Taxation and Revenue Department Analyst: Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(130)	(1,000)	(1,060)	(1,120)	R	Sections 1 and 2: Counties (see Narrative)
--	(3)	(26)	(27)	(28)	R	Section 1 and 2: State General Obligation Bond Fund
See Narrative					R	Sections 1 and 2: All Other property taxing entities

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

Methodology for Estimated Revenue Impact: [Section 1] There are approximately 67,000 veterans claiming the current \$4,000 property exemption per tax year 2023 county reports. The Taxation and Revenue Department (Tax & Rev) assumes that number remains flat for the estimate. Tax & Rev assumes the impact of the additional \$6,000 in exempt taxable value for the 67,000 veterans by their respective county and applied the 2023 weighted mill rate by county according to the 2023 New Mexico Property Tax Facts published by New Mexico Department of Finance and Administration¹. The estimated aggregate direct impact in loss of property tax revenue is \$12.6 million in the first year. Tax & Rev then accounted for adjustments in property tax rates that are likely to happen in response to this amendment per the yield control statute. The weighted average of the remaining residential authority to adjust the mill rates in each county was applied to the remaining tax base in each county for the loss of net taxable value from the veteran’s \$10,000 expansion in Tax Year 2025. It was found that two counties, Catron and Torrance, do not have sufficient tax base nor remaining mills that may be imposed to fully offset the reduced tax base and resulting revenue reduction from the first year of the \$10,000 veteran exemption through yield control. The fiscal impact in FY27 through FY29 is discussed below in conjunction with the expansion of the veteran’s disability exemption.

¹ <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/property-taxes/property-tax-facts/>

[Section 2] According to data released by New Mexico Department of Workforce Solutions, 32% of New Mexico veterans reported having a disability². Tax & Rev applied the 32% to the 67,000 veterans claiming the current \$4,000 property tax exemption arriving at approximately 21,500 disabled veterans. Of those disabled veterans, approximately 13,200 already claim the current 100% disabled veteran property tax exemption. Taking the difference of the 21,500 disabled veterans and 13,200 100% disabled veterans leaves approximately 8,300 veterans with a disability less than 100%. Tax & Rev then assumes that the average percentage of disability among veterans under 100% disability, is 52% based on the weighted distribution of all veterans with a disability from data provided from DVS.

The estimate for taxable property values in New Mexico is based on the median listing price of homes in New Mexico, according to the housing trends published by the Federal Reserve³. The value is then grown at the average rate of increase in the median listing price of homes in New Mexico between 2017 and 2024 to exclude methodology changes in the calculation of median price of property in 2022 that cause an abnormal growth rate for that year. To estimate the loss in revenue from implementing the Constitutional amendment, the average mill rate in the state according to the 2023 New Mexico Property Tax Facts published by New Mexico Department of Finance and Administration was used⁴. The estimated direct aggregate impact in loss of property tax revenue is \$22.0 million in the first year before yield control adjustments are made (see below).

[Sections 1 and 2] Local impacts of the legislation proposed in this bill will vary widely across the state depending on the local trends in property values, the per capita population of veterans in the county, as well as the remaining local authority to adjust property tax rates.

To estimate the final fiscal impact of this legislation in FY2027 when both exemptions from Sections 1 and 2 are in effect, Tax & Rev accounted for adjustments in property tax rates that are likely to happen per the yield control statute. The weighted average of the remaining residential authority to adjust the mill rates in each county was applied to the remaining tax base in each county after the cumulative loss of net taxable value from both expansions of the two veterans' exemptions. Seven counties - Catron, De Baca, Harding, Quay, Sierra, Socorro and Torrance - do not have sufficient tax base nor remaining mills that may be imposed to offset the loss of tax base and revenue from these expanding veterans' exemptions through yield control. In addition, seven counties - Cibola, Guadalupe, Hidalgo, Luna, Mora, Roosevelt, and Union - appear to have just sufficient tax base to cover it. However, this effect will vary depending on how willing and able the local administrations are in utilizing their remaining operating rate millage authority or if the growth in the remaining tax base is sufficient. The estimated net impact of \$1 million above for these 14 counties is only the impact at the county level. Additional impacts in special districts, including municipalities and school districts are not included in this impact. The loss above is only to counties, with approximately 2.5% of the loss to the state General Obligation Bond (GOB) fund, which is used to make debt service payments on State GOBs.

Tax & Rev assumes an inflation adjustment for the veteran exemption starting with tax year 2027 impacting FY2029 (See Technical and Other Issues). Tax & Rev applied the Congressional Budget Office's current forecast for the annual rate of change for the Consumer Price Index for all Urban Consumers (CPI-U). While the aggregate impact grows by approximately \$400 thousand, it is largely offset by yield-control in the larger counties. The increase for the aforementioned counties is applied from the calculated inflation factor.⁵

² https://www.dws.state.nm.us/Portals/0/DM/LMI/2023_Veterans_Profile_.pdf

³ <https://fred.stlouisfed.org/series/MEDLISPRINM#0>

⁴ <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/property-taxes/property-tax-facts/>

⁵ <https://www.cbo.gov/data/budget-economic-data>

Policy Issues: The expansion of property tax exemptions for veterans and veterans with disabilities was approved by New Mexico voters in November 2024. While the expansion of these exemptions will continue to erode horizontal equity in property taxes, there is the broader public good of maintaining home ownership and quality of life for veterans and veterans with a range of disabilities. These veterans sacrificed their health and wellbeing through service to the United States, and as a result of disability may have diminished earnings and ability to maintain home ownership.

The bill will represent a significant erosion of the local property tax base, on which most local governments rely for their budgets and operations.

Technical Issues: None.

Other Issues: Tax & Rev notes that the tax year 2026 inflation adjustment will result in no change to the \$10,000 exemption. The numerator for the calculation is the prior year which in this case is 2025 which is also the base year for the denominator resulting in the numeral '1'. The first impact of the inflation adjustment will occur in tax year 2027. To have an inflation-adjustment for the exemption in tax year 2026 the base year in the denominator would need to be the consumer price index ending in tax year 2024.

A veteran eligible for both exemptions, per the statute language, "shall" be eligible to receive both exemptions. In addition, joint veteran homeowners who are eligible for all the exemptions will also qualify and receive the exemptions for their apportioned ownership of the property. The disability exemption will be computed without inclusion of the \$10,000 exemption value, i.e. the percentage exemption will be calculated based on taxable value, without regard to the other veterans' exemption.

Administrative & Compliance Impact: This bill presents little to no impact for Tax & Rev's Property Tax Division. County assessors will be more heavily impacted.

Related Bills: Similar to HJR-5 and HJR-6 (2023 Regular Legislative Session)