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## FISCAL IMPACT REPORT

ORIGINAL DATE 3/2/09

SPONSOR Begaye LAST UPDATED \_\_\_\_\_ HJM 70

SHORT TITLE Military Duty Income Tax Withholdings SB \_\_\_\_\_

ANALYST Burns

### APPROPRIATION (dollars in thousands)

| Appropriation |               | Recurring<br>or Non-Rec | Fund<br>Affected  |
|---------------|---------------|-------------------------|---|
| FY09          | FY10          |                         |   |
|               | Indeterminate | Recurring               | Native American<br>Veterans Income Tax<br>Settlement Fund |

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 465 Native American Veterans Tax Settlement Fund

Relates to SB 541 Native American Veterans Tax Settlement Fund

Relates to Appropriation in the General Appropriation Act of \$500 thousand made to TRD

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

Indian Affairs Department (IAD)

#### No Response Received From

Veterans Services Department (VSD)

### SUMMARY

#### Synopsis of Bill

House Joint Memorial 70 requests the federal government to investigate the federal withholding of state income taxes from Native Americans domiciled on tribal lands while on active military duty.

### FISCAL IMPLICATIONS

If the federal government were to conduct a study examining the improper income tax withholdings from Native American veterans it could obligate the state of New Mexico to repay those taxes. There was a study conducted by VSD, TRD, and IAD which examined the issue and

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determined an amount owed of less than \$2 million. If the federal government were to determine a more substantial amount was owed it could further obligate the state to repay those debts.

### **SIGNIFICANT ISSUES**

The memorial would not limit the study to New Mexico and requests the federal government to examine all improper withholding of state income tax from Native American veterans. The state has already conducted a study pertaining to the improper tax withholding in New Mexico. This study would be duplicative of the study previously conducted, except the scope would include all Native American veterans.

### **RELATIONSHIP**

HJM 70 relates to SB 465 Native American Veterans Tax Settlement Fund, and SB 541 Native American Veterans Tax Settlement Fund.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The Department of Defense will not be requested to undertake a study of the improper state income tax withholdings of Native American veterans.

KJB/mc