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## FISCAL IMPACT REPORT

ORIGINAL DATE 03/03/09

SPONSOR Steinborn LAST UPDATED \_\_\_\_\_ HJR 1

SHORT TITLE Veteran Organization Property Taxes, CA SB \_\_\_\_\_

ANALYST Varela

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	See Narrative		Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Veterans' Services (DVS)

Department of Finance and Administration (DFA)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Joint Resolution 1 is proposing to amend Article 8 of the Constitution of New Mexico to exempt the property of veterans' organizations in New Mexico from property tax liability. The organizations must be chartered by the U.S. Congress. The properties are to be used by veterans and their families. The burden of providing eligibility is to be made by person claiming the exemption.

### FISCAL IMPLICATIONS

Assuming each property is valued at \$250,000, the 175 veterans' organizations reported by the Department of Veterans' Services (DVS) that would qualify would own \$44 million in property. The taxable value is \$14.6 million and the liability would be approximately \$400 thousand statewide. If more of the organizations are in Bernalillo County, the impact could be much higher as Bernalillo County has a higher property tax rate.

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Since most counties adjust the property tax rate according to their funding needs, any property tax exemption for one group of taxpayers has the effect of raising property tax rates for all other taxpayers.

### **SIGNIFICANT ISSUES**

DVS reports that Veteran Service Organizations exist to serve the local veteran community. These local posts are many times the only place that veterans can go to for information on local, state, and federal veterans' benefits. With the increase of young men and women returning from Operation Iraqi Freedom, the mission of these local posts are changing from a place to congregate and have a drink with fellow veterans, to an local outreach center for these veterans.

During the 2007 Legislature, DFA reported that current assessments for these organizations would be excluded from the tax roles and property tax collection and distribution would be diminished. Fiscal impact would likely be spread throughout the state. NM counties, cities and schools will take the big hits on operating revenues. With voter-approved bond issues, the total debt service is divided by the current taxable value to get a debt rate. Thus, the effect of this bill on capital would be to shift burden from the veterans' organizations to the general public. The county that would probably take the hardest hit would be Bernalillo County, due to the fact that the county has the largest number of veterans' organizations headquarters.

### **OTHER SUBSTANTIVE ISSUES**

Property taxes are the most significant revenue source for county governments. Any decrease in this revenue source would have a negative impact on the affected county budgets, especially during these times of economic hardship.

In 2007, DFA reported that New Mexico is a low property tax state in comparison with other states and so the state needs to be careful in allowing exemptions from property tax.

PV/mc