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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/14

SPONSOR Muñoz LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Native American Veterans' Tax Settlements SB 142

ANALYST Dorbecker

### APPROPRIATION (dollars in thousands)

| Appropriation |           |      |      |      | Recurring<br>or<br>Nonrecurring | Fund<br>Affected                                        |
|---------------|-----------|------|------|------|---------------------------------|---------------------------------------------------------|
| FY14          | FY15      | FY16 | FY17 | FY18 |                                 |                                                         |
|               | \$5,000.0 |      |      |      | Nonrecurring                    | Native American Veterans'<br>Income Tax Settlement Fund |

Parenthesis ( ) indicate expenditure decreases

### REVENUE (dollars in thousands)

| Estimated Revenue |             |      |      |      | Recurring<br>or<br>Nonrecurring | Fund<br>Affected |
|-------------------|-------------|------|------|------|---------------------------------|------------------|
| FY14              | FY15        | FY16 | FY17 | FY18 |                                 |                  |
|                   | (\$5,000.0) |      |      |      | Nonrecurring                    | General Fund     |

Parenthesis ( ) indicate revenue decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

Indian Affairs Department (IAD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 142 proposes an amendment to the Native American Veterans' Income Tax Settlement (NAVITS) Fund Act to extend the timeframe during which settlement payments can be made until December 31, 2019. The bill also appropriate \$5 million dollars from the General Fund to the Native American Veterans' Income Tax Settlement Fund for expenditure in fiscal year 2015 and subsequent fiscal years to carry out the purpose of the fund. Any unencumbered balance remaining does not revert to the General Fund.

There is no effective date of this bill. It is assumed that the new effective date is 90 days after this session ends.

## FISCAL IMPLICATIONS

The Native American Veterans' Tax Settlement (NAVITS) Fund has been exhausted meaning no money can be spent from this fund. Between 2010 and 2013, the payments to taxpayers from the fund totaled approximately \$1.1 million and the total administrative fee was about \$200,000. The total appropriation was \$1.25 million. Total payments to taxpayers have exhausted the fund balance and there is no new appropriation on this bill.

The bill makes an appropriation of \$5 million dollars to NAVITS Fund from the General Fund for expenditure in fiscal year 2015 and subsequent fiscal years as necessary to carry out the purpose of the fund. The Taxation and Revenue Department (TRD) does not have necessary data to estimate the annual expenditure. However, the new \$5 million dollars appropriation is expected to pay the settlement payments claimed before December 31, 2019, or until the appropriations are exhausted.

## ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department (TRD) reports a moderate impact stating, “The procedures, forms and processes are established. The claim form and web site will require revision at minimal cost. In the past, TRD utilized 1 FTE at a cost of \$50,000 per year to review the refund claims. Also note, that the number of refunds claimed nearly matched the number of claims that TRD expected to receive based on the original study. TRD is not certain how many claims will be received in the future. Two refund claims submitted, however, were denied because the appropriations available at the time were exhausted.”

TRD also notes during the prior processing of the NAVITS refund claims, the agency was assigned the responsibility to obtain the information from Defense, Finance and Accounting Service (DFAS) to verify the refund claims. As time went on, however, DFAS became increasingly uncooperative regarding obtaining information to verify the refund claims. This indicates DFAS experienced difficulty to obtain the information required by TRD.

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