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FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/2015

SPONSOR Cotter LAST UPDATED _____ HB _____

SHORT TITLE Income Tax Exemption Requirements SB 77

ANALYST van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
\$0.0	(\$210.0)	(\$220.0)	(\$230.0)	(\$230.0)	Recurring	General Fund

(Parenthesis () indicate revenue decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 77 amends the Income Tax act to reduce the minimum age requirement for state income tax exemption from 100 years of age or older to 97 years of age or older. The provisions of this act apply to taxable years beginning on or after January 1, 2015.

FISCAL IMPLICATIONS

TRD used New Mexico personal income data from tax year 2012 to estimate the impact of the bill. In 2012, about 76 people used this exemption on a total of about \$2.8 million in personal income. The average income for this population was about \$36,000. According to the US census, the population of people 97-99 years old was about 3.3 times that of people 100+ years old. TRD therefore assumed New Mexico's population of people 97-99 years old at about 250. Applying an average income of \$36,000 to this population, about \$9 million would be exempted from taxable income. TRD applied effective tax rates based on existing taxpayer information to this reduction in the income tax base to estimate the impact. TRD used PIT growth rates from the December 2014 Consensus Revenue Estimate to estimate out year impacts.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency and equity. Due to the reduction in revenue proposed by this bill revenues may be insufficient to cover growing recurring appropriations.

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

PvM/bb