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FISCAL IMPACT REPORT

SPONSOR: White DATE TYPED: 2/1/03 HB 60

SHORT TITLE: Income Tax Exemption for Seniors SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(134,000.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

TRD

SUMMARY

Synopsis of Bill

House Bill 60 exempts all persons 65 years of age and over from personal income tax. Under present law, income of all persons 100 years of age and older is tax exempt. The act is effective for 2003.

FISCAL IMPLICATIONS

TRD reports that taxpayers over 65 are estimated to have \$3 billion of taxable income in tax year 2003. \$600 million of this income will be exempt from state tax under the present law exemption (Section 7-2-5.2 NMSA 1978). The remaining \$2.4 billion will be taxable at an average effective tax rate of 5.5%. The average tax relief for the 60,000 taxpayers showing positive taxable income will be about \$2,250 per return.

OTHER SUBSTANTIVE ISSUES

TRD notes that there could be some complicated interactions with other provisions of current law. For example, if a person over 65 is married to a person under 65, they will need to continue to file a tax return for their spouse. The application of existing exemptions, like the exemption for persons over 65, will have to be clarified as to how they would apply to such returns.

SN/prr