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FISCAL IMPACT REPORT

ORIGINAL DATE 2/13/07
 LAST UPDATED 2/28/07 HB 719/aHFL

SPONSOR Steinborn

SHORT TITLE Veterans' Organization Property Tax Exemption SB

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

Duplicates, Relates to, Conflicts with, Companion to

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Department of Veterans Services

SUMMARY

Synopsis of HFI Amendment

House Bill 719 was amended on the House Floor to make the act effective contingent on passage of a constitutional amendment (HJR 16) by the voters.

Synopsis of Bill

House Bill 719 exempts the property of veteran's organizations that are chartered by the US Congress from property taxation if the property is used by local, state or federal governmental activity for events or by nonprofit community organizations or other veterans' organizations.

FISCAL IMPLICATIONS

Assuming each property is valued at \$250,000, the 500 veteran's organizations that would qualify would own \$125 million in property. The taxable value is \$41.7 million and the liability

would be approximately \$1.1 million 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.

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

Department of Finance and Administration (DFA):

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 veteran's 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.

This legislation exempts from property taxation the VFW, DAV, American Legion and AMVETS along with many smaller organizations chartered by the US Congress. In NM there are between 500 and 600 active chartered veterans' organizations. Out of the approximately 600 organizations, probably the majority rent out space to governments for events or to other community organizations. Since the bill does not quantify how much community or government use is necessary to qualify for the exemption, we must assume that every active chartered veteran's organization that owns property will qualify for this exemption.

This legislation is narrowly written to only apply to veterans' organizations that are chartered by US Congress. What is the need to isolate these groups and not include all organizations that are related to veterans' if the intent is to aid veterans? This could be viewed as a major policy issue and could have repercussions.

OTHER SUBSTANTIVE ISSUES

DFA has questioned whether the exemption should apply to all veterans' organizations rather than just those chartered by Congress.

DFA reports that NM already 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.

NF/mt