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FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/08

SPONSOR Steinborn LAST UPDATED _____ HJR 6

SHORT TITLE Veteran's Organization Property Tax SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	NFI – See Narrative			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Department of Finance and Administration (DFA) FIR from 2007

SUMMARY

Synopsis of Bill

House Joint Resolution 6 proposes to amend the NM Constitution to exempt veterans' organizations chartered by the United States from property tax if the property is used by local, state or federal government entities or by nonprofit community organizations or other veterans' organizations. If passed the question will go to the voters at the next general election.

In 2007, House bill 719 was enacted (Laws 2007, Chapter 167) which changes the tax code contingent on a joint resolution *in that session* being passed. It is unclear whether this joint resolution will serve to allow the change to the tax code or if a new bill must be considered.

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), from analysis of HB719 in 2007 session:

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.

NF/bb