

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/08
 LAST UPDATED 1/30/08 HJR 6/aHVEC/aHTRC

SPONSOR Steinborn

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

Response Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amended Senate Joint Resolution 9 as amended striking the HVEC amendment and expanding the definition of “veterans’ organizations” to require that the property be primarily used by veterans and their families.”

Synopsis of HVEC Amendment

The House Voters and Elections Committee amended House Joint Resolution 6 expanding the definition of “veterans’ organizations.” The property no longer needs to be used by local, state, or federal government entities or nonprofits.

Synopsis of Original 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

The Department of Veterans' Services believes that many veterans' organizations need this exemption from property tax to forestall the closing of many facilities that provide services to veterans particularly in rural areas.

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.

TRD:

1) Provisions of the proposed measure would require the legislature to exempt veterans' organization facilities from property taxation rather than allowing the legislature to consider the issue and subsequently enact enabling legislation. 2) Participants in similar organizations that do not benefit from property tax exemptions, for example Elks, may view the exemption provided to veterans' club attendees as unfair. 3) Similar proposals sometimes contain provisions allowing individual communities to vote on the status of property tax exemptions for fraternal organizations. This type of provision is not in the proposed legislation.

NF/bb:nt