

LFC Requester:

Jennifer Faubion

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original X **Amendment** _____
Correction _____ **Substitute** _____

Date Prepared: 2/1/2024

Bill No: HB 264

Sponsor: Rep. Harry Garcia

Agency Name and Code Number: 305 – New Mexico
Department of Justice

Short Title: Military Pay Tax
Exemption Sunset

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

This analysis is neither a formal Opinion nor an Advisory Letter issued by the New Mexico Department of Justice. This is a staff analysis in response to a committee or legislator’s request. The analysis does not represent any official policy or legal position of the NM Department of Justice.

BILL SUMMARY

Synopsis:

House Bill 264 would amend the existing state income tax exemption for armed services retirement pay found at NMSA § 7-2-5.13. The existing statute ends the income tax exemption after 2026. HB 264 locks in the income tax exemption at the 2024-2026 level of \$30,000.00 in perpetuity or until it is repealed.

FISCAL IMPLICATIONS

None to this office.

SIGNIFICANT ISSUES

None.

PERFORMANCE IMPLICATIONS

None to this office.

ADMINISTRATIVE IMPLICATIONS

None to this office.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Conflicts with: SB 56 and SB 125 also seek to amend NMSA § 7-2-5.13 to remove the sunset provision that ends the income tax exemption at the end of 2026. However, both of those bills also attempt to add “the surviving spouse of an armed forces retiree” as an individual eligible for the income tax exemption in NMSA § 7-2-5.13(A) but neither of those bills provides a definition of “surviving spouse.”

If enacted, both HB 264 and SB 125 would go into effect this year (May 15, 2024) but SB 56 contains a “Section 2” that dictates an effective date of January 1, 2025.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The state income tax exemption for armed services retirement pay will end after 2026.

AMENDMENTS

N/A