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FISCAL IMPACT REPORT

SPONSOR Romero DATE TYPED 2/19/97 HB _____
 SHORT TITLE Increase Property Tax Rebate SB 395/aSWMC
 ANALYST Taylor

REVENUE

Estimated Revenue	Subsequent	Recurring	Fund
FY97	FY98	Years Impact	or Non-Rec
Affected	Affected	Affected	Affected
\$ <u>NFI.</u>	\$ _____	\$ _____	_____

(Parenthesis () Indicate Revenue Decreases)

Relates to SJR3

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Amendment

The SWMC amendment makes to major changes to SB-395. First, it clarifies that for eligible taxpayers whose adjusted gross income (AGI) is zero, section G defines the maximum rebate. Section G establishes a maximum \$650 rebate for taxpayers filing a joint return whose AGI is zero and \$325 for single filers who could have filed jointly. Second, the amendment restricts the rebate to those counties which adopt a resolution allowing taxpayers to claim the rebate and which agree to reimburse the state for the costs of the rebate.

The part of the amendment requiring that counties reimburse the state for the cost of the program essentially places the cost of the rebates on the counties instead of the state. Thus, as amended, sb395 would have no fiscal impact on the state. Furthermore, it would only impact those counties that willingly adopted the rebate.

Synopsis of Bill

SB-395 would amend the Income Tax Act (Chapter 7, Article 2 NMSA 1978) by increasing the maximum tax rebate for property taxes paid on principal place of residence by senior citizens aged 65 and older and by expanding the guidelines as to income eligibility. The income limits are expanded from \$16 thousand to \$25 thousand, and the maximum rebate is increased from \$250 to \$650 per return.

FISCAL IMPLICATIONS

As of this writing, TRD has not issued an FIR. However, last year TRD prepared an FIR on a nearly identical bill. They estimated that expanding and increasing the tax rebate as proposed in the current bill would cost the General Fund \$3.9 million in the current year and \$4.0 million on

a full year basis. TRD noted that most of the cost of the proposed changes would be due to expanding the income qualification from \$16,000 to \$25,000.

ADMINISTRATIVE IMPLICATIONS

TRD claimed that the administrative impact would be minor.

RELATIONSHIP

SJR-3 proposes a constitutional amendment that would cap the valuation of the principal residence for persons aged 65 or older.

WST/gm
Attachment

BILL ANALYSIS AND FISCAL IMPACT REPORT

ATTACHMENT

DATE: January 29, 1996

**Submitted by: TAXATION AND REVENUE DEPT.
JOHN J. CHAVEZ, SECRETARY**

BILL NUMBER: SB-170

SPONSOR: Senator Romero

BILL SHORT TITLE: Increase the tax rebate for property tax for taxpayers 65 years of age or older

CONFLICTS, DUPLICATES, COMPANIONS:

DESCRIPTION: This bill increases the personal income tax rebate for property taxes on a principal place of residence paid by elderly renters and homeowners. The income limits are extended to \$25,000; the maximum rebate is increased from the current \$250 to a maximum \$650. The table below shows property tax liability intended *not to be rebated*; the rebate amounts to the difference between actual property taxes paid and the amounts shown, subject to the \$650 maximum rebate.

Modified Gross Income		Property Tax Liability	Modified Gross Income		Property Tax Liability
Over	But not Over		Over	But not Over	
0	1,000	20	13,000	14,000	135
1,000	2,000	25	14,000	15,000	150
2,000	3,000	30	15,000	16,000	165
3,000	4,000	35	16,000	17,000	180
4,000	5,000	40	17,000	18,000	195
5,000	6,000	45	18,000	19,000	210
6,000	7,000	50	19,000	20,000	225
7,000	8,000	55	20,000	21,000	240
8,000	9,000	60	21,000	22,000	255
9,000	10,000	75	22,000	23,000	270
10,000	11,000	90	23,000	24,000	285
11,000	12,000	105	24,000	25,000	300
12,000	13,000	120	25,000	and over	n/a

EFFECTIVE DATE: Not specified -- assume May 14, 1996. Applicable to tax year 1996 and subsequent years.

FISCAL IMPACT (Thousands of dollars) Brackets indicate a revenue loss:

<u>Estimated Impact on Revenues</u>	<u>Recurring or Nonrecurring Impact</u>	<u>Funds Affected</u>
<u>FY 97 (1996-97)</u>	<u>Full Year</u>	
(3,900)	(4,000)	State General Fund

Although the proceeds of the property tax are primarily distributed to counties, municipalities and school districts, the cost of the property tax rebate for the elderly is borne by the state general fund. The fiscal impact associated with increasing the cap to \$650 is the smaller component, about \$1,600 thousand to \$1,700 thousand. The majority of the fiscal impact is associated with the expanded income qualification from \$16,000 to \$25,000 modified gross income.

ADMINISTRATIVE IMPACT: A minor administrative impact on the Department would result from data processing system changes, changes to tax forms, notification of the public, and an increase in tax returns (approximately 7,000 tax returns) including the supplemental rebate and credit schedule used to claim rebates which are subject to modified gross income limitations.

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OTHER IMPACTS AND ISSUES:

1. The property tax rebate for the elderly was first enacted in 1977. The amounts and income brackets were revised in 1981. Rebate payments in fiscal years 1989-90 through 1994-95 have held constant at about \$4.0 million. Previously, rebates were \$2.3 million in the 1984-85 fiscal year, \$2.4 million in the 1985-86 fiscal year, \$2.9 million in the 1986-87 fiscal year, \$3.4 million in the 1987-88 fiscal year and \$3.7 million in the 1988-89 fiscal year. Statewide revaluation to current and correct levels began in 1986 and was effectively completed by 1990, with a few counties not fully implementing the provisions until 1992. The increase in rebate from the \$2.3 million level to the \$4.0 million level was primarily due to the increase in property taxes paid by the elderly as a result of revaluation. However, also as a result, the number of elderly homeowners whose rebate was limited by the \$250 cap increased from 2,180 for 1983 to 7,160 for 1991 returns and 8,342 for 1994 returns. The increase in cap amount from \$250 to \$650 would reduce the number of homeowners limited by the cap to about 900. The total number of income tax returns claiming the property tax rebate should increase from about 25,000 under current law to approximately 32,000 under the proposed changes.

2) The average property tax bill for rebate recipients in tax year 1993 was \$327 and the average rebate was \$161 among property owners; for renters the average property tax was calculated at \$223 and the average rebate was \$137. For 1994, the average tax bill decreased slightly to \$324 while the average rebate was virtually the same for property owners. For 1994 renters the average 6% of rent deemed to be property tax increased slightly to \$229 with an average rebate of \$141.

3) Other statistics regarding the rebate:

Tax Year 1994	Current Law
Number Returns Where Claimant Paid Property Tax	21,345
Number Returns Where Claimant Paid Rent	3,761
Total Returns Claiming Rebate	25,106
Total Property Tax Paid by Claimants	\$7,771,576
Rebates Approved	\$3,973,756
Average Rebate Amount	\$158
Average Tax Paid Before Rebate	\$324
Average Tax Paid After Rebate	\$162
Number of Capped Returns	8,342