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## FISCAL IMPACT REPORT

SPONSOR: Miera DATE TYPED: 2/7/03 HB 184

SHORT TITLE: Increase Veteran Tax Exemption SB \_\_\_\_\_

ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$ (0.1) See Narrative	\$ (0.1) See Narrative	Recurring	Local Government
	\$ (0.1) See Narrative	\$ (0.1) See Narrative	Recurring	School Districts

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to:

- HB-71, Expand Disabled Veteran Exemption
- HB-84, Increase Veteran Tax Exemption
- HB-85, Expand Disabled Vet Exemption
- HJR 2, Veterans Property Tax Exemption, CA
- SB 119, Increase Veteran's Tax Exemption
- SB 188, Implement Increased Veteran Tax Exemption

### SOURCES OF INFORMATION

LFC files

#### Responses Received From

- Taxation and Revenue Department (TRD)
- Department of Military Affairs
- Veterans Service Commission

### SUMMARY

#### Synopsis of Bill

House Bill 184 implements increased property tax exemptions for veterans required by Article 8, Section 5 of the New Mexico Constitution. Provisions increasing the exemption were passed during the last General Election in November 2002 increasing the exemption from \$2,000 of the

taxable value of property to \$4,000. The exemption is phased in from 2003 to 2006 in the following increments:

- Tax Year prior to 2003– Exemption is \$2,000
- Tax Year 2003 – Exemption is \$2,500
- Tax Year 2004 – Exemption is \$3,000
- Tax Year 2005 – Exemption is \$3,500
- Tax Year 2006 – Exemption is \$4,000

HB 184 also implements the recent constitutional amendment that removes the requirement for 100-percent disabled veterans to adapt their homes via a grant from the federal government to qualify for a total exemption from property taxes.

HB 184 contains an emergency clause therefore the provisions will be effective in the current property-tax year.

### **FISCAL IMPLICATIONS**

HB 184 is enabling legislation for constitutional amendments passed by voters in November 2002. The legislation will impact on property tax revenues to local taxing authorities and school districts. TRD assumptions for the increased veterans exemption are as follows:

- 80,000 veterans currently qualify for the veterans' exemption.
- Reduced residential tax base by approximately \$160 million ( $\$80,000 \times 2,000$ ) annually. (This figure is approximately 1 percent of the current statewide \$17.1 billion total net taxable value of residential properties and .5 percent of the \$31.75 billion net taxable value of all properties.)
- An increase of \$500 in the exemption annually will thus decrease statewide net taxable value by \$40 million, or  $\$500 \times 80,000$  – roughly .126 percent of the current \$31.75 billion total net taxable value.

TRD also notes that net taxable values grow over time and therefore, the decreased taxable value is mitigated by offsetting growth of 2 percent annually. As in the case of expanding eligibility for the disabled veteran exemption, the base reduction caused by increasing the \$2,000 exemption will result in slight increases in rates faced by all individuals that pay property taxes. As a result, the proposal will not impact revenues significantly.

According to TRD, the removal of requirements for veterans to adapt their homes to qualify for 100 percent property exemption will have minimal impact because the base reduction associated with this provision will be mitigated by the existing \$2,000 exemption that they will forego. The primary impact of the proposal will, therefore, be to shift the burden from individuals that qualify for the exemption to individuals that do not qualify for it. Local impacts, although likely to be very small, will depend on the number of individuals within each jurisdiction who qualify for the exemption, as well as local property rates, assessed values and similar variables.

**ADMINISTRATIVE IMPLICATIONS**

The Veterans Service Commission notes the administrative impact will be seen in the increased workload. This agency will need an additional 2 FTE's to handle the increase in applications both for the veterans tax exemption and with the disabled veterans tax exemption.

SN/ls