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FISCAL IMPACT REPORT

SPONSOR: Fidel DATE TYPED: 3/15/03 HB _____

SHORT TITLE: Tax Exemption for Veterans, CA SJR 19

ANALYST: _____

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	4,200.0			Veterans
	(4,200.0)			Non-Veterans

(Parenthesis () Indicate Revenue Decreases)

Relates to:

- HB-71, Expand Disabled Veteran Exemption
- HB-84, Increase Veteran Tax Exemption
- HB-85, Expand Disabled Vet Exemption
- HB 184, Increase Veteran Tax Exemption
- HJR 2, Veterans Property Tax Exemption, CA
- SB 119, Increase Veteran's Tax Exemption
- SB 188, Implement Increased Veteran Tax Exemption
- SJR 15, **Property Tax Exemption for NM Veterans, CA**
- SJR 25, **Nonprofit Organization Property Taxes, CA**

SOURCES OF INFORMATION

Responses Received From

SUMMARY

Synopsis of Bill

Senate Joint Resolution 19 is an expression of the Senate to amend the state constitution, granting total property tax exemption for veterans or surviving spouse's principal place of residence.

Significant Issues

Senate Joint Resolution 1, enacted in the 2001 legislative session, allowed voters to consider an amendment to the New Mexico Constitution increasing the current \$2,000 veteran exemption to \$2,500 in tax year 2003, \$3,000 in 2004, \$3,500 in 2005 and \$4,000 in 2006, where it would remain. Voters approved it.

FISCAL IMPLICATIONS

TRD notes that allowing all veterans to claim the exemption would expand the number of claimants from 80,000 to approximately 124,000, because, according to census figures, roughly 177,000 veterans currently live in New Mexico but, on average, 70 percent of New Mexico's residential property is owner-occupied ($177,000 \times .7 = 123,900$). Hence, after increasing the exemption from \$2,000 to \$4,000 and simultaneously allowing all veterans to claim it, the resulting reduction in base would be approximately $124,000 \times \$4,000 = \496 million. This is an increase over the baseline—assuming the adoption of the increase to \$4,000—of \$176 million. With the proposed exemption, veterans would have total tax relief of approximately \$12.9 million ($\$4,000 \times \$26/\$1,000 \times 124,000$) -- an increase of roughly \$4.5 million over present law plus the effects of 2002 Constitutional Amendment #1.

The relief provided to veterans would be largely offset by rate increases for all residential taxpayers due to the loss in base. This would occur as the yield control mechanism increased operating rates due to loss in base referred to as "valuation maintenance", and as debt rates increased to offset base reductions.

Since the base reduction under this proposal would total \$176 million or about 1 percent of the current \$17.1 billion residential portion of the base, rates would, on average, increase by *roughly* 1 percent, and net relief provided to veterans would total \$4.4 million, or 99 percent of \$4.5 million. There are a few cases where rates would not be able to adjust, but they would be minor because 1) the base grows at about 2 to 3 percent annually, and 2) the exemption would increase gradually over a period of five years. Hence revenue losses to property tax recipients -- school districts, counties and municipalities -- would be insignificant.

Finally, it should be noted that, according to the Veterans Service Commission, approximately 8,000 disabled veterans will probably qualify for the total property tax exemption likely to emerge from this year's legislative session due to the recently approved constitutional amendment. As a result, effects of the proposed measure would be slightly less because some portion of the disabled veterans would qualify for the partial exemption that is the subject of the proposed legislation.

SN/njw