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FISCAL IMPACT REPORT

SPONSOR Carraro DATE TYPED 2-28-2005 HB _____

SHORT TITLE Armed Forces Salary Income Tax Exemption SB 630/aSCORC

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(\$5,500.0)	(\$11,000.0)	Similar	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 50, SB 450 and SB 394

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SCORC Amendment

The SCORC amendment strikes the word retirement from section 1, thereby making the title for the section consistent with the text.

Synopsis of Original Bill

Senate Bill 630 exempts salaries paid by the United States to persons actively serving in the armed forces from the state income tax.

FISCAL IMPLICATIONS

The Taxation and Revenue Department estimates that the exemption provided in this bill will reduce state general fund revenues by \$11 million in FY06. The estimate is based on an average military salary of \$45,000. Adjusting this for currently allowed exemptions and deductions, the average taxable amount would be \$31,500. There are approximately 7,000 New Mexicans actively serving in the armed forces. The fiscal impact estimate is arrived at by multiplying 7,000 taxpayers by the average taxable salary of \$31,500 and by an average income tax rate of 5 percent.

The FY05 impact stems from the January 1, 2005 applicability date, and is half the full year impact.

ADMINISTRATIVE IMPLICATIONS

TRD reports that the administrative implications associated with implementing this bill would be modest.

BT/yr