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FISCAL IMPACT REPORT

ORIGINAL DATE 2/11/06

SPONSOR Picraux LAST UPDATED _____ HB 487

SHORT TITLE Payment of Estate Taxes in Art Donations SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	None		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 487 amends the Art Acceptance Act to allow taxpayers, or their descendents, to donate art in lieu of estate taxes to any state museum, cultural center or monument. Current law allows such donations only to the museum of New Mexico.

FISCAL IMPLICATIONS

HB 487 has no fiscal impact on the state under current law.

SIGNIFICANT ISSUES

New Mexico's estate tax rate is tied to federal tax law. The repeal of the federal estate tax credit in 2005 effectively eliminated estate taxes in New Mexico. The federal tax legislation repealing the estate tax credit in 2005 and the federal estate tax by 2010 will sunset in 2011. Unless extended, the federal estate tax estate tax credit will be reinstated at 2001 tax rates.

Eighteen states have either decoupled their estate tax laws from the federal tax code or enacted new laws to continue taxing estates upon transfer to descendents or heirs.

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According to TRD, the Art Acceptance Act provides a fairly elaborate procedure where prospective donors must acquire appraisals that are acceptable to the Internal Revenue Service and approval from the Taxation and Revenue Department. The proposed measure would amend the act to allow the same procedures to be employed for donations to all state museums, monuments and cultural centers.

BE/nt