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FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/06

SPONSOR SFC LAST UPDATED 2/7/06 HB _____

SHORT TITLE Public Peace, Health, Safety & Welfare SB 790/SFCS/aSFL#1

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(32.0)	(32.0)	(32.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SFI#1 Amendment

Senate Floor Amendment #1 amended the substitute for Senate Bill 790 to clarify the affected tax year. The amendment makes the substitute effective for tax year 2005 rather than 2006. The amendment also declares an emergency making the bill effective upon signing into chapter.

Synopsis of Original Bill

The Senate Finance Committee substitute for Senate Bill 790 amends the Income Tax Act to exempt New Mexico National Guard premiums paid for group life insurance from personal income tax by the service member's life insurance reimbursement fund.

FISCAL IMPLICATIONS

TRD estimates that this exemption will reduce personal income tax revenues by \$32 thousand per tax year. The premiums paid out of the service member's life insurance reimbursement fund

is estimated to be \$800 thousand per year and at an effective personal income tax rate of 4 percent, the fiscal impact is \$32 thousand.

SIGNIFICANT ISSUES

This bill addresses an unintended consequence of the passage of the NM National Guard life insurance bill last year that provided reimbursements for life insurance premiums for service members. The original law did not include an exemption from personal income taxes for those reimbursements and so this year service members began receiving notice that taxes were due on those amounts.

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