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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/24/11

SPONSOR Garcia, M.P. LAST UPDATED \_\_\_\_\_ HJR 24

SHORT TITLE Disabled Person Property Taxes, CA SB \_\_\_\_\_

ANALYST Graeser

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	0.0*	0.0*	NA	NA

(Parenthesis ( ) Indicate Revenue Decreases)

Note: this joint resolution places a constitutional question before the voters. If the voters approve the CA, there will be property tax burden shifts from disabled homeowners to all residential property owners generally, decreases in general obligation bond capacities, and possibly some small revenue losses to beneficiaries.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		104.0		104.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Veteran's services Department (VSD)

### SUMMARY

#### Synopsis of Bill

House Joint Resolution 24 proposes to amend Article 8 of the State Constitution to provide a \$2,000 exemption of assessed value of a property owned by a 100% disabled homeowner whose modified gross income is \$15,000 or less. The taxpayer must occupy the property as a principal place of residence. If the voters approve the question, the enabling legislation will provide for a method of indexing the \$15,000 threshold.

The constitutional amendment will be presented to the voters at the next general election (November, 2012) or a special election held prior to November, 2012)

## **FISCAL IMPLICATIONS**

This joint resolution would impose no fiscal impacts on the State of New Mexico or local governments unless voters approved the amendment it proposes. The reduction in the property tax base due to this exemption would cause tax rates to rise (where not already limited by caps or by yield control) to compensate for the loss in the base.

Because of yield control, operating rates would increase proportionally to any reduction in net taxable value created by this low-income, 100% disabled property owner exemption. Similarly, debt rates would be set slightly higher to cover the loss of net taxable value. There would be a small shift in tax burden, with low-income, 100% disabled homeowners experiencing a small decrease in property taxes and all other residential and non-residential taxpayers experiencing a small increase in property taxes. Cities, counties, special districts operating levies and all debt service levies would be approximately held harmless.

State general obligation (GO) bond capacity would decrease a small amount, as would city, county and school district debt capacity. The State GO bond capacity is 1% of assessed value. School district debt limit is 6% of assess value. County and municipal general obligation limit is 4%. Few jurisdictions are fully bonded. The state is usually fully bonded up to the 1% limit. There are approximately 900,000 residential properties in the state.

<http://www.statehealthfacts.org/profileind.jsp?rgn=33&cat=6&ind=345> reports that 4.8% of the New Mexico population aged 18 to 64 receive Social Security Disability Insurance (SSDI) compared to 4.3% of the population in the US.

<http://quickfacts.census.gov/qfd/states/35000.html> reports that 17% of New Mexico's population receive income below the poverty level compared to 13.2% for the US.

Further assume that 1/3 of the individuals that would qualify for this property tax exemption are homeowners occupying their property as a principal residence.

Then the order of magnitude of the GO bond capacity reduction would be  $900,000 \times .048 \times .17 \div 3 = 2,000$  properties  $\times \$2,000 \times \$35/\$1,000$  or about \$136,000 decrease in state GO bond capacity. Each qualifying taxpayer would save about \$70 per year (depending on jurisdiction, with a minimum savings of \$40 per year and a maximum of \$108.)

## **SIGNIFICANT ISSUES**

HJR 13, HJR 14, HJR 22 and HJR 24 would narrow the property tax base and create tax burden shifts. Certain populations, specifically the low-income, disabled and low-income elderly, would be exempted from the property tax or exempted from a portion of property tax. To compensate for the loss in base, the remaining population of property taxpayers would have an increased burden, as their property tax rate would increase as a result of the yield control determined by the Department of Finance and Administration.

VSD reports that disabled veterans who are currently rated as 100% permanently and totally disabled by the US Department of Veterans Affairs get a full waiver of property taxes, so that this legislation would not affect them.

**ADMINISTRATIVE IMPLICATIONS**

Relevant municipal, county and state agencies will need to verify and track the proposed exemptions if approved by voters.

**TECHNICAL ISSUES**

“100% disabled” should either be defined, or TRD should be given the authority to define the classification. In the first sentence, “property” should be modified to specify residential real property.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SJR 9 proposes to limit residential property taxes to 1% of current and correct value and commercial property taxes to 1 ½% of current and correct value.

SJR 13 proposes to reduce property taxes for homeowners occupying the same residential property for at least fifteen years.

SJR 15 provides that assessments would be in proportion to current and correct values, with property assessment limitation based on income, age or property ownership.

HJR 13 is similar to HJR 24, except HJR 13 would exempt 100% of the property of a 100% disabled person from tax.

HJR 14 would exempt 100% of the property of a low income elderly homeowner.

HJR 22 is similar to HJR 14, except HJR 22 would exempt \$2,000 of taxable value for a low-income elderly homeowner.

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