

LFC Requester:

Jennifer Faubion

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

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SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original **Amendment**
Correction **Substitute**

Date 02/01/24

Bill No: HB 264

Sponsor: Harry Garcia
Short Title: Military Retirement Pay Tax Exemption Sunset

Agency Name and Code Number: Department of Veterans' Services 67000

Person Writing: Edward Mendez
Phone: 505-382-3760 **Email:** Edward.mendez@dvs.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
N/A	N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	N/A	N/A	N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: SB56, SB125
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY An individual who is an armed forces retiree may claim an exemption in the following amounts of military retirement pay includable, except for this exemption, in net income: (1) for taxable year 2022, ten thousand (10,000); (2) for taxable year 2023, twenty thousand dollars (\$20,000); and (3) for taxable year 2024 and thereafter, thirty thousand dollars (\$30,000). As used in this section, “armed forces retiree” means a former member of the armed forces of the United States who has qualified by year of service or disability to separated from military service with lifetime benefits.”

Synopsis: **House Bill 264** would amend the Military Retirement Tax Exemption to remove the sunset date for the \$30,000 income tax exemption for armed forces retirement pay. HB264 does not extend the exemption to the surviving spouse of an armed forced retiree. Currently, the \$30,000 exemption ends with tax year 2026. Effective date is January 1, 2025.

FISCAL IMPLICATIONS Minimal impact to NMDVS. Additional costs would be absorbed into existing outreach and advertising budgets to support promotional materials provided to our Veterans’ and surviving spouses to make them aware of new income tax related deduction benefit.

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES- None noted by reviewer.

PERFORMANCE IMPLICATIONS None noted by reviewer.

ADMINISTRATIVE IMPLICATIONS if HB 264 passes, passes, NMDVS would provide training to staff and coordinate outreach to inform Veterans’ and surviving spouses of additional income tax related deduction benefit.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP SB 56 and SB 125

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL Individuals who are Armed Forces Retirees will see this benefit cease to exist in 2026. When Armed Forces Retiree is deceased, the surviving spouse would not retain the benefit. Armed Forces Retiree members may seek residence outside of the state of New Mexico.

AMENDMENTS None noted by reviewer.