

LFC Requester:	Jennifer Faubion
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**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

Analysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

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 01/19/2024
Bill No: SB125

Sponsor: Senator William F. Burt
ARMED SERVICE
RETIREMENT PAY TAX
SUNSET

Agency Name and Code Dept of Military Affairs
Number: _____
Person Writing THERESA MARTINEZ
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
\$0.00	\$0.00		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
\$0.00	\$0.00	\$0.00		

(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	NFI	NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: SB56 ARMED SERVICE RETIREMENT PAY TAX SUNSET

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB 125 removes the sunset date that exempts a portion of the retirement payments paid by the federal government for armed forces retirees and allows the surviving spouse of an armed forces retiree to claim an exemption in the amount equal to \$30,000 of armed forces retirement pay. It defines “armed forces retiree” as “a former member of the armed forces of the United States who has qualified by years of service or disability to separate from military service with lifetime benefits.

FISCAL IMPLICATIONS

SB 125 inherently results in a reduction of certain otherwise taxable income to the State of New Mexico, if such an exemption for “retirement pay or survivor benefit pay” became law.

1. Eight states—Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming—have no state income tax. New Hampshire taxes only dividends and interest income.
2. Twenty-six states have state income taxes, but they don't tax military retirement benefits: Alabama, Arizona, Arkansas, Connecticut, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, and Wisconsin.
3. Eleven states tax military retirement benefits, but only partially. These states include Colorado, Delaware, Georgia, Idaho, Kentucky, Maryland, **New Mexico**, Oregon, South Carolina, Virginia, and West Virginia. The District of Columbia also taxes military benefits partially.
4. Five states tax military retirement pay fully and offer little to no tax benefits for retirement income: California, Montana, Rhode Island, Utah, and Vermont.

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

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Both SB 125 and SB 56 removes the sunset date that exempts a portion of the retirement payments paid by the federal government for armed forces retirees and allows the surviving spouse of an armed forces retiree to claim an exemption in the amount equal to \$30,000 of armed forces retirement pay. SB125 defines the taxable year as 2024 and thereafter. SB 56 does not define the taxable year.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS