

Constitutional Amendment No. 2

“Proposing an amendment to Article 8, Section 5 of the constitution of New Mexico to increase a property tax exemption for honorably discharged members of the armed forces and their widows and widowers.”

For _____ Against _____

Analysis: Constitutional amendments No. 1 and No. 2 are additive. For instance, if both amendments pass, the effect on households in Bernalillo County that are not eligible would be a recurring property tax increase of \$50 - \$100.

Residential property taxes are used to pay a large part of the expenses of New Mexico’s schools, public health facilities, and local governments.

This amendment would increase the property tax exemption for honorably discharged veterans and their surviving spouses from the current amount of \$4,000 to \$10,000 a year. This amount would be adjusted annually for inflation, although the amendment does not specify the mechanism for that adjustment. If the amendment is approved, it would require additional legislation to become effective.

Local government budgets will bear most of the loss of revenue from passage of this amendment, and the LWVCNM has not located any description of how or when the loss in revenue resulting from passage of the amendment might be recovered by government entities.

The Legislative Finance Committee also concluded in 2023, that “[l]ocal impacts of the legislation proposed in this bill will vary widely across the state depending on the local trends in property values, the per capita population of veterans in the county, as well as the remaining local authority to adjust property tax rates,” and “the effect of change would also be highly variable depending on the city, county, and school district property tax rates in effect at the location of the veteran’s principal residence...”.

	State of New Mexico	Bernalillo County	Sandoval County	Torrance County	Valencia County
Veterans qualifying for exemption	100,624	30,353	8,918	1,291	4,950
Shift of property tax from honorably discharged veterans to others	\$18 million	\$7.3 million	\$1.7 million	\$181,000	\$828,000

ARGUMENTS FOR THE AMENDMENT

1. This amendment is intended to support property-owning veterans and their widows or widowers and might help them maintain homeownership by reducing the amount of property tax paid by honorably discharged members of the armed forces and their widowed spouses. This exemption, however, is not specific to owner-occupied primary residential property.
2. This amendment is intended to express the support of the state for veterans.
3. The amendment assumes a decrease in property tax could provide an incentive for veterans of the armed forces to move to or buy property in New Mexico, which may increase the state's population and tax base.
4. The amendment assumes that by adjusting the amount of the exemption for inflation, the amount of the exemption for veterans will increase without requiring a future constitutional amendment, which is a challenging, lengthy and costly process.
5. The amendment assumes the increased exemption amount is fairer to veterans and their spouses. The current exemption was set in 2002 and, since then, the value of the dollar has increased approximately 72% while property values have increased by approximately 80%.

ARGUMENTS AGAINST THE AMENDMENT

1. Congress should be responsible for providing veterans' benefits. It is inappropriate for homeowners and other residential property owners and local governments to bear the expense of providing extended benefits to veterans in return for their service in a branch of the United States armed forces. If more generous benefits are due to veterans and their spouses, Congress should provide those benefits.
2. The increased exemption could benefit those who chose to enlist. The mandatory United States military draft ended in 1973, and the military has been an all-volunteer force for more than 50 years. Special property tax benefits should not be extended to someone who makes the choice to work in a branch of the United States armed forces.
3. The increased exemption could be seen as unfair to other property taxpayers who will pay more property taxes due to passage of the amendment.
4. Traditionally, most tax relief measures are based on need. There is no evidence that veterans have lower incomes or a greater need for property tax relief than other taxpayers. It is possible that, with the passage of the proposed constitutional amendment, veterans who are financially stable and who own large, high-value homes will be relieved from contributing their fair property tax share.

5. Exemptions for special groups of property taxpayers could set a precedent for other individuals to seek tax relief. Traditionally, property tax is based on the value and nature of the property, not the personal characteristics of the owner. Creating an exemption for certain individuals is a departure from the underlying principle of property taxation and could set a precedent for other groups to seek similar exemptions.

6. The exemption amount only benefits a portion of veterans, since it applies only to veterans who are residential property owners and excludes veterans who are renters.

7. The inflation provision in the amendment would increase property taxes even more for non-veteran property taxpayers. The proposal to index the amount of exemption for inflation may continue to erode the property tax base and annually increase the property tax bills for those who are not eligible for the property tax exemption.

[Information was provided by the State of New Mexico Legislative Finance Committee 2023 report, State of New Mexico Legislative Council Service 2023, New Mexico Taxation and Revenue Department and the Bernalillo County Assessor's Office. Additional information about this amendment can be found at the League of Women Voters of Central New Mexico website at LWVCNM.org. Arguments were edited and shortened by the LWVCNM.]