

SECTION A

THE FINANCIAL IMPACT OF THE MILITARY RETIREE FAMILY ON THE NEW MEXICO ECONOMY IN 2012

The military retiree resident families in New Mexico earned \$1,580,677,491 in Federal Transfer Funds in 2012 that allowed the state to reap \$150,820,799 in tax revenues. This no cost to the state revenue bonanza consisted of \$78,147,777 in income taxation and \$72,673,022 in Gross Receipt Taxes. All of this before considering second career and other military retiree family retirement income subject to New Mexico State Taxation.

SUMMARY OF THE MILITARY RETIREE FAMILY INCOMES

<i>FEDERAL TRANSFER FUNDS:</i>	<i>\$1,580,677,491</i>
<i>PLUS SECOND CAREER INCOMES:</i>	<i>\$ 498,806,812</i>
<i>PLUS INVESTMENTS & RETIREMENTS</i>	<i>\$ 220,932,222</i>

TOTAL:

\$2,300,416,525

***Applying a conservative 1.9 fiscal impact multiplier to this
equals:***

\$4,370,791,396

TABLE 1 – MILITARY RETIREE PENSIONS

TOTAL RETIREES PAID BY DOD	PENSIONS TOTAL	AVERAGE PER RETIREE	GRT PAID @ .0414	INCOME TAX @4.9%	TOTAL REVENUE
20,141	\$536,580,000	\$26,641	\$22,214,412	\$26,292,420	\$48,506,832

TOTALS **\$536,580,000** **\$22,214,412** **\$26,292,420** **\$48,506,832**

Average military retiree pay computed on national average by percentage of officers and enlisted members.

TABLE 2 – MILITARY RETIREE DISABILITY

Total	Paid by DOD	Paid by VA	Amount Paid	GRT @ .0414	Income Tax	Total Revenue
4,705	4,705		\$80,267,208	\$3,323,062	0	\$3,323,062
4,705		4,705	\$80,267,208	\$3,323,062	0	\$3,323,062

TOTAL **160,534,416** **\$6,646,124** **0** **\$6,646,124**

Military and Veterans Administration disability pay is exempt from state and federal taxation.

TABLE 3 – MILITARY RETIREE CIVIL SERVANTS INCOME

AGE GROUP	POPULATION	PAY	TOTAL	GRT@ .0414	INCOME TAX @.049	TOTAL
TO AGE 65	524	\$68,310	\$35,794,440	\$1,481,890	\$1,753,928	\$3,235,818
65+	649	\$23,740	\$15,407,260	\$637,861	\$754,956	\$1,392,817
TOTALS			\$51,201,700	\$7,859,751	\$2,508,884	\$4,628,635

Civil Service pay effective January 2013 for GS-13, step 5 employee. Retirement computed on average civil service pension for 20 years with yearly ascending base pay starting at \$51,875

TABLE 4 - SOCIAL SECURITY INCOME

STATUS	# ELIGIBLE	PAYMENT/YR	TOTAL PAID	GRT@.0414	INCOME TAX @ .049	REVENUE
Retired	12,274	\$15,190	\$186,442,060	\$7,718,707	\$9,136,661	\$16,855,362
Spouses	9,598	\$7,553	\$72,493,694	\$3,001,239	\$3,552,191	\$6,553,430
Widows	2,998	\$10,692	\$32,054,616	\$1,327,061	\$1,570,676	\$2,897,737
TOTALS			\$290,990,370	\$12,047,007	\$14,259,528	\$26,306,535

TABLE 5 – TRICARE, MEDICARE FOR MILITARY RETIREE FAMILIES

CATAGORY	NUMBER	TRICARE @\$5,325	MEDICARE @\$9,477	TRICARE FOR LIFE @ .20 Medicare	TOTAL	GRT @.049	INCOME TAX @ .049	TOTAL REVENUE
Retiree under 65	11,108	\$59,150,000	NIA	NIA	\$59,150,000	\$2,448,810	\$2,898,350	\$5,347,160
Dependents under 65	14,330	\$76,307,250	NIA	NIA	\$76,307,250	\$3,159,120	\$3,739,055	\$6,898,175
Retiree 65+	10,249	NIA	\$97,129,773	\$19,425,955	\$116,555,728	\$4,825,407	\$5,711,231	\$10,536,638
Dependents 65+	8,814	NIA	\$99,855,718	\$19,971,144	\$119,826,862	\$4,960,832	\$5,871,516	\$10,832,348
Widows	4,733	NIA	44,854,641	\$8,970,928	\$53,825,569	\$2,228,379	\$2,622,752	\$4,851,131

TOTALS **\$135,457,250** **\$241,840,132** **\$48,368,027** **\$425,665,409** **\$17,597,416** **\$20,813,159** **\$38,410,575**
Dependents under age 65 computed on the basis of 86% under age 65 retirees are married with one child. Dependents 65+ computed @ 85% over age 65 retirees are married with a dependent wife.

TABLE 6

MILITARY RETIREE WIDOWS COMPENSATION

Number	SBP PAID	DIC PAID NO./AMT	SSIA PAID NO./AMT	TOTAL	GRT @.0414	INCOME TAX	REVENUE TOTAL
2,998	\$114,979,296	540/\$656,100	540/\$70,200	\$115,705,596	\$4,790,212	\$5,669,574	\$10,459,786

TOTALS **\$114,979,296** **\$656,100** **\$ 70,200** **\$115,705,596** **\$4,790,212** **\$5,669,574** **\$10,459,786**

**IN ADDITION MILITARY RETIREE FAMILIES CREATED:
TABLE 7 SECOND CAREER INCOMES**

Number working age	Avg. Pay	Total	Working Spouses (2,505) Income@\$35K/yr	Total	GRT @.0414	INCOME TAX @.049	TOTAL REVENUE
9,191	\$44,732	\$411,131,812	\$87,675,000	\$498,806,812	\$20,650.602	\$24,441,534	\$45,092,136

Data derived from US Census Bureau “Fact Finder”. Working age retirees in work force computed @ 90% of total age 62 and below retiree population. Working spouses computed by considering 82.7% of military retirees of working age are married with 52.2% (average female employment in state) of their spouses employed in the work force.

Table 8

MILITARY RETIREE FAMILY INVESTMENTS AND SECOND RETIREMENT INCOME

Age 62+	Investment Income@ \$3,000/yr.	2nd Career Retirement @\$15,000/yr	Total	GRT@.0414	Income Tax	Total Revenue
12,274	\$36,822,000	\$184,110,00	\$220,932,222	\$9,146,594	\$10,825,679	\$19,972,273

SECTION B

MILITARY RETIREE DEMOGRAPHICS

Table # 1 - Military Retiree Population

Total paid by DOD

Total**	Paid by DOD	ARMY	NAVY	MARINES	AIR FORCE	COAST GUARD*
21,357	20,141	5,918/5,382	3,105/2,914	818/694	11,516/11,141	190/175

***Coast Guard paid by Home Land Security**

****The difference between total retirees and paid by DOD retirees (1,216) represents those military retirees who waived military retirement when employed by federal civil service to achieve the benefits of an earlier civil service retirement and higher civil service retirement compensation.**

TAXATION OF MILITARY RETIRED PAY

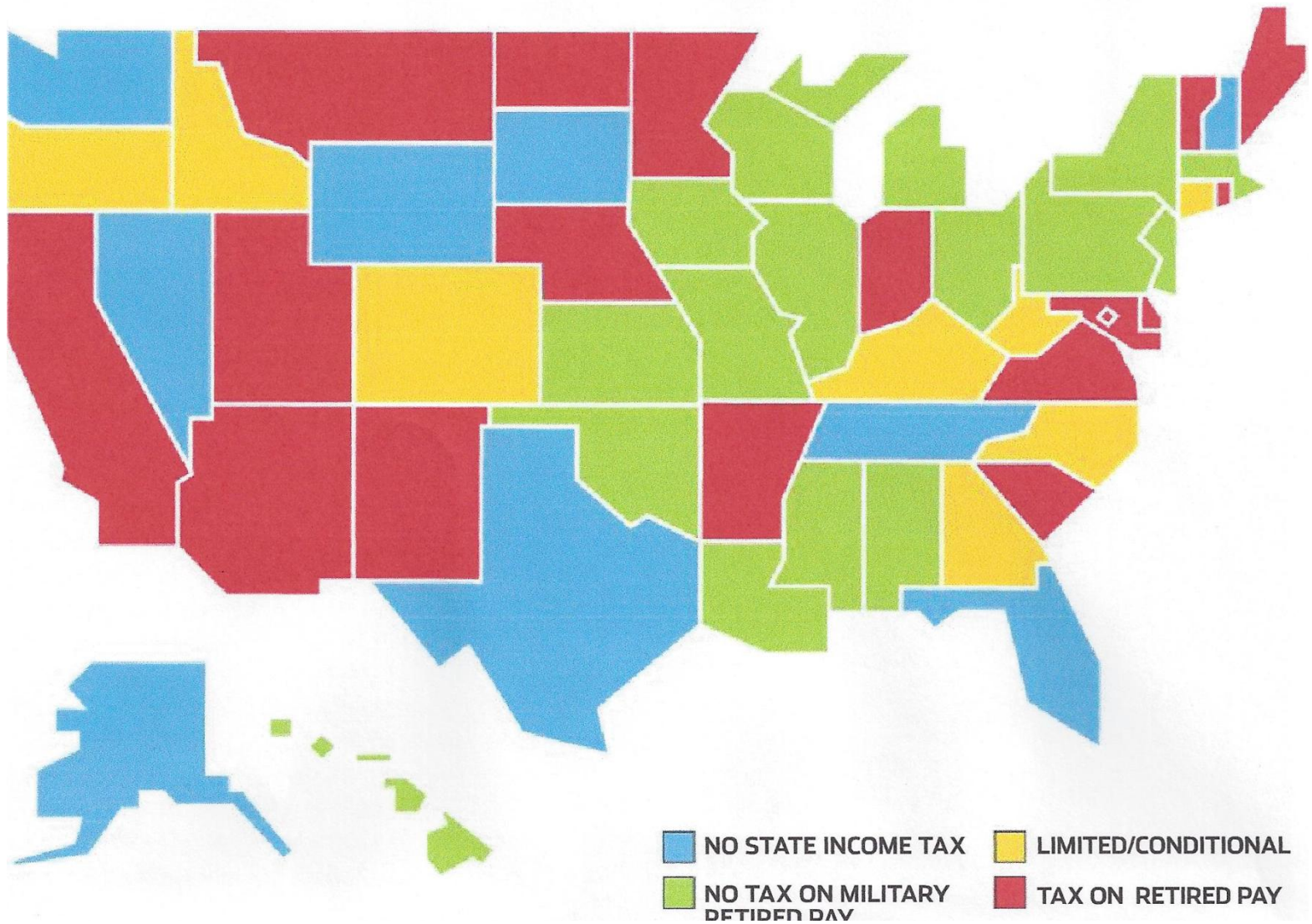


TABLE # 2 – FY 2011 TO 2012 POPULATION GROWTH/LOSS

TOTAL RETIREES			PAID BY DOD RETIREES		
2011	2012	GAIN/LOSS	2011	2012	GAIN/LOSS
21,465	21,357	LOSS 108	20,291	20,141	LOSS 150

For the first time New Mexico did not increase its military retiree population during a fiscal year, suffering a total loss of 108 military retirees.

TABLE # 3 – PERCENTAGE OF MILITARY RETIREES AGE 65+and 62+

TOTAL	AGE 65+	%	AGE 62,63 &64*	%	Total of retirement age	%
21,357	10,249	.48	2,025	.0948	12,274	.5747

***Retirees ages 62,63 & 64 computed to determine those eligible for Social Security benefits. Data determined by applying national average of retirees ages 62, 63 & 64 (195,866) divided by total military retirees nationally.**

TABLE # 4 – MILITARY RETIREE DEATH RATE

Total 2011	Created 2012	Expected Total 2012	Actual 2012	Difference	Difference %	Applied to NM Retirees
2,051,939	56,365	2,108,304	2,066,861	-41,443	.0202	434

National averages as computed above were used to determine the deaths of military retirees in New Mexico during 2012. The majority of these deaths can be attributed to military retirees from WWII, the Korean and Vietnam wars – all age 65+ retirees. The dire effects of this loss on the NM tax base is far more than the taxes gained on military retiree pensions but also include all the other incomes that cease upon death.

TABLE # 5 – MILITARY RETIREE DISABILITY PAY

TOTAL DISABLED	RECEIVING CRDP	RECEIVING CRSC
4,745	3,902	843

CRDP = Concurrent Receipt of Disability Pay means that both disability and military retirement pension is paid.

CRSC = Combat Related Special Compensation means that the military pension is considered entirely combat related and is totally tax free at both the federal and state levels. NOTE: CRSC does not increase the military retirement pension. CRDP and CRS payments are also made by the Veterans Administration based on the percentage of disability determined by the VA. VA payments are not taxable.

TABLE # 6 – NEW MEXICO’S MILITARY RETIREE WIDOWS

NATIONAL TOTAL	NEW MEXICO	%	FULL DIC OFFSET	PARTIAL DIC OFFSET
328,246	2,998	.009	321	220

DIC: Dependency and Indemnity Compensation is \$1,250 per month paid by THE Veterans Administration to all veterans widows whose spouses died of service connected causes who apply to receive the payment. It is an indemnity payment made to compensate for the loss of the wage earner in a family. It is noted here because DOD deducts the DIC payment from Survivors Benefits Insurance purchased by the retiree. Dollar computations will be indicated in later tables.