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### FISCAL IMPACT REPORT

SPONSOR:	Sanchez, R.G.	DATE TYPED:	02/13/00	HB	472/aHTRC
SHORT TITLE:	Amend Property Tax Code			SB	
				ANALYST:	Williams

#### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
		See Text	Non-Recurring	Bernalillo County

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to HB 63, SB 391, SB 415, HB 472, HB 239

#### SOURCES OF INFORMATION

LFC Files

Taxation and Revenue Department (TRD)

Department of Finance and Administration, Local Government Division (DFA/LGD)

## SUMMARY

### Synopsis of HTRC Amendments

The amendment would allow a local government to reduce the debt service levy only upon approval of and subject to conditions imposed by DFA. This is to address the issue of a local government switching to a general operating levy to pay debt service on general obligation bonds.

The provisions regarding a credit for property tax payers in Bernalillo County is restricted to residential property owners with a property tax value increase of 25 percent or greater.

The yield control changes were eliminated.

### Synopsis of Bill

The bill provides a non-recurring credit against property taxes due for calendar year 2000 in a qualifying county. A qualifying county is a county with general obligation debt where a debt service rate was not set, but debt service was paid with revenues from an increase in the county operating rate. The credit would first be applied on the second installment payment of property taxes due for tax year 1999 on April 10, 2000. The credit can be carried forward to the November 10, 2000 payment. The credit is based on the difference between the debt service rate in 1998 tax year and the appropriate rate that would have been set with the county had not used an operating rate to pay debt service, as determined by DFA.

The bill also adds an additional limitation on property tax rates. The yield control factor is modified slightly, as new construction will be reduced by 25 percent.

The measure also excluded 25 percent of the increase in value caused by increases in net taxable values of mineral property

The bill carries an emergency clause.

### Significant Issues

The qualifying county in the first part of the bill would be Bernalillo County. According to a DFA analysis on House Bill 63, over a four year period, Bernalillo County taxpayers paid approximately \$14,000.0 more in property taxes due to swapping debt service and operating rates.

## **FISCAL IMPLICATIONS**

### HTRC Amendment

The fiscal impact was reduced substantially. It is unknown at this time how many residential property tax owners would qualify for the credit.

### Original Bill

DFA notes the credit will be the difference of the 1.95 mill increase in the operating rate and the debt service rate that should have been set to meet the general obligation criteria. The difference is 0.275 mills, which is approximately \$2,252.3 in total credits for Bernalillo County.

An estimated roughly \$2,000.0 recurring operating revenue loss to all property tax recipients would occur due to the loss of 25% of new construction value applied to the yield control formula. This is a small portion of the approximately \$678,000.0 of total property tax system revenues, or 0.3 percent of the total. Local impacts will vary substantially.

TRD notes limiting the residential and non-residential new construction component would reduce operating rates imposed in the yield control formula very slightly and somewhat decrease growth in the property tax base.

The mineral property valuation estimate is not included in the TRD analysis. Some counties are heavily dependent on mineral production property tax values. If prices and therefore values jumped, the base would

be constrained.

### **ADMINISTRATIVE IMPLICATIONS**

DFA notes minor administrative impact to DFA/LGD and considerable administrative impact on Bernalillo County.

### **TECHNICAL ISSUES**

TRD notes the bill does not specify how the credits would be distributed.

AW/jsp:gm