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## FISCAL IMPACT REPORT



SPONSOR: Lujan DATE TYPED: 02/10/02 HB 130/aHTRC

SHORT TITLE: Residential Property Sales Price Disclosure SB \_\_\_\_\_

ANALYST: J. Sandoval

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC files

Responses Received From

Taxation and Revenue Department

No Response

The Department of Finance and Administration

### SUMMARY

#### Synopsis of HTRC Amendment

1. House Bill 130/a HTRC clarifies that the value of property is to include any physical improvements made to the property subsequent to the change in ownership during the immediately preceding tax year.
2. House Bill 130/a HTRC requires that the assessor insure the accuracy of any property transfer by requiring a receipt of affidavit to be issued by the assessor before the county clerk may accept or record any transfer of property.

#### Synopsis of Original Bill

House Bill 130 establishes assessed value of residential property that is sold during the previous tax year as either; the price at which the property sold, adjusted for subsequent physical improvements, or a price determined by local assessors if the sale price does not reflect market value. This bill therefore establishes an acquisition value system of assessment whereby what is paid for a property typically becomes its value for tax purposes. In years following sales, property that is sold would

continue to be reassessed in the traditional manner, subject to various limitations.

This bill also requires buyers and sellers to disclose sale prices and other consideration paid for residential properties. The disclosure mechanism is accomplished by a requirement that prevents county clerks from recording "...any deed, real estate contract or memorandum of real estate contract transferring or evidencing the transfer of any interest in real property classified as residential for property taxation purposes, unless the person presenting the deed, real estate contract or memorandum of real estate contract for recording presents at the same time an affidavit...". The affidavits are to contain names and mailing addresses of all transferors and transferees, a legal description of the property transferred, as well as "... full consideration, including money or any other thing of value, paid in exchange for the transfer.". The affidavits and their contents are to be part of the valuation records maintained by county assessors. Under Section 7-38-19 NMSA 1978, valuation records, with some exceptions, are public records. Since sales prices do not appear to be among the exceptions, the proposed measure would make sales prices public records and thus accessible to essentially any individual.

This bill is applicable to the 2003 and subsequent property tax years.

#### **ADMINISTRATIVE IMPLICATIONS**

This bill would improve property tax administration by providing local assessors with data that they are currently unable to acquire. The acquisition value feature of the measure would make many assessments unnecessary and thus reduce the cost of assessment. The net direct administrative costs would likely be negative because assessment is a large portion of the cost of administering property taxes.

#### **TECHNICAL ISSUES**

The bill's title should probably state that it creates an acquisition valuation system.

#### **OTHER SUBSTANTIVE ISSUES**

New Mexico is one of twelve states that does not have a disclosure law. Those states that do have a disclosure law, ten percent keep the results confidential.

#### **POSSIBLE QUESTIONS**

1. What are the advantages of this bill?
2. How does this bill affect homeowners' privacy?

**JFS/sb**