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## FISCAL IMPACT REPORT

**SPONSOR** Taylor, JG      **DATE TYPED** 02-17-04      **HB** 566/aHGUAC

**SHORT TITLE** County & Municipality Tax Rate Changes      **SB** \_\_\_\_\_

**ANALYST** Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		See narrative	Recurring	City of Albuquerque
		See narrative	Recurring	County of Bernalillo

(Parenthesis ( ) Indicate Revenue Decreases)

Related to:  
SB 567, County & Municipality Tax Rate Changes

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From:

Department of Finance and Administration (DFA)

#### No Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of HGUAC Amendment

The House Government and Urban Affairs Committee amendment changes the amount of property taxes the city of Albuquerque can apply from SB 566's original 3.65 mills to 5.65 mills. This is still a reduction from existing statute of 7.65 mills. Additional Bernalillo County property tax authority is reduced from 4 mills to 2 mills; above what current statute allows. The amendment adds a sunset date of 2014 for the reduced Albuquerque taxing authority and requires the city council approve the taxing authority reduction with at least a super majority (two-thirds vote).

Synopsis of Bill

House Bill 566 amends statute to reduce the taxes Albuquerque can apply to property from 7.65 mills to 3.65 mills and increases by 4 mills the amount Bernalillo county can impose from 11.85 mills to 15.85 mills. The additional county taxes will be imposed by ordinance of the board of county commissioners.

Significant Issues

According to DFA:

Concerns exist because the City of Albuquerque has imposed the last \$0.0025 Gross Receipts Tax allowable under state law. If an unforeseen event occurs that places an additional burden on the City's operating budget, the City will not have the ability to react. HB 566 further restricts the City's ability to diversify current and future obligations out of Gross Receipts and into other areas.

The shift of tax rate authority and the respective limits allowable from the City of Albuquerque to Bernalillo County would drastically impact County and City residents. For example, the City currently does not impose the remaining property tax authority. Therefore, City residents are not taxed at the limit. However, if you live within the County, but not the City, you only pay County rates. The County will take advantage of the \$4.000 mil increase and all the taxpayers within the City and County will feel the recurring tax hit.

**REVISED FISCAL IMPLICATIONS**

The revised fiscal impact uses the same assumptions detailed below applying the revised mill rates. The reduced tax authority is derived by multiplying Albuquerque's FY03 Net Taxable Value of \$7,857,028,574 by 0.00200 which is approximately \$15.7 million. This represents the reduction in tax authority for Albuquerque and will only be implemented upon vote of the city council. Similarly, Bernalillo county's increase authority is derived by multiplying the NTV of the county (9,633,808,020 ) by 0.002, to derive the \$19.3 million increase in authority.

**ORIGINAL FISCAL IMPLICATIONS**

DFA cites the following fiscal impact:

The reduction to a \$4.000 mill levy for the City of Albuquerque equates to a decline of \$31,428,114. This amount was derived by taking the City's FY03 Net Taxable Value (NTV) of \$7,857,028,574 and multiplying it by the 0.004000. *This reduction would bring the City just over capacity, under this proposal, and limit their ability to fund projects and provide for future operating growth.* The City finances a substantial portion of its traditional municipal capital improvements with general obligation bonds. As a result, the City is able to maintain stable property tax rates.

Bernalillo County has imposed the maximum operating property tax rate of \$11.850 mills. The additional increase of \$4.000 equates to \$38,535,232. This amount was determined by taking the County's FY03 NTV 9,633,808,020 and multiplying it by 0.004000. Overall, the estimated increase in property tax rates to Bernalillo County property owners would be \$7.1 million (if the

county imposes 100 percent of its authority).

Due to the yield control formula, the amount of revenue increase or decrease may fluctuate.

SN/dm:yr