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## FISCAL IMPACT REPORT

SPONSOR Balderas DATE TYPED 03/04/05 HB 862

SHORT TITLE YIELD CONTROL NET NEW VALUE SCOPE SB \_\_\_\_\_

ANALYST Padilla-Jackson

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
NFI	NFI			

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Bill 862 amends current property tax rate statutes by providing for the inclusion of property annexed into a governmental unit as a net new value. The new language proposed in the bill applies to property annexed into a governmental unit on or after January 1, 1978 and that has not already been included as net new value for the purpose of determining a base year value. The Property Tax Division of the Taxation and Revenue Department, upon request by the annexing governmental unit, would be responsible to determine a net new value that includes the annexed property.

This bill invokes an emergency clause, so that the provisions would take effect immediately.

#### Significant Issues

PED notes that recalculating the net new value for the property tax years from 1978 to 2005 may increase the base year value and allow for additional revenue to be derived from the imposition of property taxes subject to yield control.

They note that many school districts in New Mexico rely heavily on selling bonds or imposing

mill levies in order to erect, remodel, purchase and improve school grounds. Higher land valuations of counties in which school districts reside could mean a potential increase in funds generated through mill levy elections. However, yield controls are put in place to limit growth in assessed valuation from one year to the next so property owners are not burdened to pay excessive tax increases. Yield controls are applied to the calculation of all property tax rates, except those new rates that were levied by an election held during the year. Thus, due to the yield controls, districts will not generate the extra dollars due to higher property values until the current mill levy expires.

Lastly, PED cautions that increase in land valuations within a district could also have a potential negative effect. The higher the land values the higher the taxes for property owners. This may affect the willingness of voters to approve mill levies, which school districts rely on due to the fear of further tax increases. They note that this situation could have a dramatic effect on school districts if they are not able to pass a bond election.

### **PERFORMANCE IMPLICATIONS**

PED notes that it is responsible for the calculation of all the property tax rates using the property values provided by the Taxation and Revenue Department. PED must compile and sort the property values by school district because many districts are often in more than one county. Once school districts' taxable values are compiled, the yield control rates are calculated for each property category. If this bill is enacted, PED and TRD will need to recalculate all of these rates due to the inclusion of new property values.

### **FISCAL IMPLICATIONS**

The fiscal impact of this bill is undeterminable. Any change in the amount of property taxes collected would depend on which local government entities request the new valuation from the Property Tax Division and how those properties are valued.

**OPJ/yr**