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FISCAL IMPACT REPORT

SPONSOR Lujan DATE TYPED 03/14/05 HB 867/aSFC

SHORT TITLE Clarify Property Tax On Agricultural Lands SB _____

ANALYST Padilla-Jackson/Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	NFI*	Similar	Recurring	State & Local Gov- ernments

(Parenthesis () Indicate Revenue Decreases)

*Insignificant

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Senate Finance Committee Amendments

The Senate Finance Committee amendments make the following changes to the bill:

1. The language expanding the definition of “agricultural use” to include the use of land for the lawful taking of game pursuant to licenses or permits issued by the director of the game and fish department is struck.
2. The rules for determining whether land is used primarily for agricultural purposes are amended: the use of land for the lawful taking of game cannot be considered in determining whether land is used primarily for agricultural purposes.
3. The initially proposed rule for determining the value of agricultural land based on the production of captive deer or elk is changed. Initially, both animals were to be valued and taxed as cattle. The new provision values captive deer as sheep; captive elk are valued as cattle.

Synopsis of Original Bill

House Bill 867 clarifies portions of the property tax code that relate to the valuation of agricultural lands. The bill modifies the definition of the term “agricultural use” to include the use of land for captive deer or elk and for the lawful taking of game pursuant to licenses or permits issued by the director of the Department of Game and Fish. In the rules for determining the value of land, the Department of Game and Fish shall provide that land classified as agricultural, based on the production of captive deer or elk or the lawful taking of game, shall be valued as grazing land, and that captive deer and elk shall be taxed as cattle.

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

FISCAL IMPLICATIONS

According to TRD’s analysis on the amended bill, the provisions of the proposed legislation would impose no significant fiscal impacts on state or local revenues. They note, however, that the measure would shift the burden of paying several hundred thousand dollars in property taxes from taxpayers that would benefit from the reclassification to individuals who do not benefit. The cost to any particular taxpayer, according to TRD, would likely be less than 1 percent of a typical tax bill.

ADMINISTRATIVE IMPLICATIONS

Minimal.

OTHER SUBSTANTIVE ISSUES

TRD notes that the PTD should promulgate rules defining “captive deer”, “captive elk”, and further expand on the definition of “bona fide and primary use”.

OJP/lg