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## FISCAL IMPACT REPORT

ORIGINAL DATE 3/09/07

SPONSOR Berry LAST UPDATED \_\_\_\_\_ HM 85

SHORT TITLE Study Property Tax Value Inequities SB \_\_\_\_\_

ANALYST Schuss

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$75.0*		\$75.0*	Non- Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases) \* TRD estimate

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

House Memorial 85 requests the Taxation and Revenue Department's Property Tax Division (PTD) to review assessment processes "actually carried out by county assessors" and the status of "current and correct" values in all New Mexico counties and report results of the review to the Interim Revenue Stabilization and Tax Policy Committee no later than September 15 regarding the extent of inequities in New Mexico property valuation. It also requests that the Interim Revenue Stabilization and Tax Policy Committee develop recommendations for statutory changes based on the report produced by TRD.

### FISCAL IMPLICATIONS

TRD notes that the study requested could easily require the services of one full time employee at a cost of \$75,000, including salary, equipment and benefits.

### SIGNIFICANT ISSUES

House Memorial 85 states that Section 7-36-21.2 NMSA 1978 provides for a limit on increases in valuation for property tax purposes of three percent per year for property that remains in the same ownership but allows for radical changes in valuation whenever property is transferred.

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The statutorily mandated property valuations process has created inequities in valuation between substantially identical properties in the same county and has increased the inequities among property tax values in different counties. This system of property valuation gives a tax advantage to persons able to remain in their homes while putting at a disadvantage first-time home buyers and many elderly home buyers and creates a hardship for persons who need to relocate to another home.

HM 85 states that the higher tax level resulting from the higher valuation makes it difficult to develop affordable housing projects and creates difficulty for some homeowners in meeting monthly mortgage payments. County assessors do not uniformly use sales price disclosure data in revaluing property upon transfer but employ various individual approaches and the differing valuation standards make it hard to determine if assessors are valuing all properties fairly. There is no clearly defined standard of “current and correct” value by which to judge the compliance of the various county assessors.

The House of Representatives of the State of New Mexico requests that the Property Tax Division of the Taxation and Revenue Department undertake a review of the assessment process as it is actually carried out by county assessors and the status of "current and correct" values in all counties of the state and present a report no later than September 15, 2007 to the Interim Revenue Stabilization and Tax Policy Committee on the presence or absence of inequities in property tax valuation in New Mexico. HM 85 also requests that the Interim Revenue Stabilization and Tax Policy Committee, using the report from the Taxation and Revenue Department, develop recommendations for statutory changes to make the residential property valuation system in New Mexico more equitable and present these recommendations to the second session of the forty-eighth legislature.

### **ADMINISTRATIVE IMPLICATIONS**

TRD states that the study would require one full time employee.

BS/csd