F I S C A L   I M P A C T   R E P O R T

		ORIGINAL DATE	2/12/07		
SPONSOR	Lopez	**LAST UPDATED**	3/06/07	**HB**	
SHORT TITLE	Property Tax Delinquency Notifications and Listings			**SB**	672
				ANALYST	Earnest

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	**FY08**	**FY09**		
	NFI	NFI		

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 672 would change the notification period from two to three years to property owners whose property taxes are delinquent. The bill also extends the repayment period from three to four years.

FISCAL IMPLICATIONS

The fiscal implications are limited to a delay in revenue collection for the state and possibly counties.

TRD indicates that the fiscal implications are uncertain. The Property Tax Division (PTD) collects about $2.3 million annually in penalty, interest, and proceeds from sale of properties. The most likely result of the proposed measure would be that some portion of the $2.3 million in penalty and interest charges would not be received by PTD in FY 2011, because it would not be provided a delinquency list for property tax year 2007 on July 15, 2010. Lists provided to the Department in the following year—July 15, 2011 – would probably be similar to lists that would have been transferred in the prior year, however, and many accounts will have accrued substantial increases in penalty and interest obligations. Hence, some portion of the revenue that would have been collected in FY 2011 would probably appear in subsequent years.

SIGNIFICANT ISSUES

Property owners with delinquent taxes on the property will not be notified until three years have passed. The owners would then have four years, instead of three, to repay the property taxes and interest. County treasurers would publish a list of property owners whose taxes are delinquent for three or more years.

By extending the time period before notification, the bill may result in the accrual of additional interest for delinquent property taxes. According to TRD, under current statutes, interest accrues on unpaid property taxes at the rate of 1% per month with no limit on the total amount that can accrue. The state also assesses a penalty of 1% per month, subject to a maximum amount of 5% of unpaid taxes. When taxes are paid on properties prior to transfer to the PTD for collection, penalty and interest amounts are retained by county treasurers. When properties are transferred to the PTD on a delinquency list, penalty and interest amounts, as well as costs associated with sales, are retained by the PTD, subject to appropriation by the Legislature.

TRD finds that the apparent intent of the proposed measure is to allow counties time to develop enhanced collection units, which would increase penalty and interest paid to counties, and decrease revenues to the state. The intent of current statutes (Section 7-38-71 NMSA) in distributing penalty and interest to PTD, subject to appropriation by the Legislature, is to encourage counties to collect delinquent property taxes; if they fail to do so and it becomes necessary for PTD to collect them, counties forego penalty and interest.

Moreover, the TRD notes that the proposed bill would not change county treasurer’s current collection responsibilities or capabilities. They do not currently possess authority to sell properties, and the proposed bill does not provide them this authority, or essentially any other collection tool that they currently do not possess. The measure would simply provide them with more time to do what they are currently doing.

ADMINISTRATIVE IMPLICATIONS

Penalty and interest revenue collected by the PTD is appropriated to the Taxation and Revenue Department to help defray the costs of operating the PTD (Section 7-38-62). Under the proposal, this revenue stream would be reduced significantly for one year – the latter half of FY 2011 and the first half of FY 2012. TRD notes that the bill provides no offset to this impact. PTD would have to absorb the costs by reducing other activities, reducing the PTD’s operations or requesting an increase in general fund appropriations.

According to TRD:

> The proposal would have uncertain impacts on the PTD’s workload. If the counties successfully resolve their delinquent accounts in the added year, then PTD’s workload could be reduced. If, however, the counties do not successfully resolve delinquencies in the extra year, the number of delinquent accounts transferred would increase. An increase in accounts would require additional staff to enforce collections.

This amendment would create additional administrative requirements for the counties as well. All county treasurers would be required to change their tax bills and delinquent notices to reflect the amendment. This change would affect three separate notices.

TECHNICAL ISSUES

TRD reports that the proposed changes cannot be implemented properly without amending other existing statutes. Statutes that must also be amended are Section 7-38-51(B)(3), 7-38-65(A) and 7-38-67(A) NMSA 1978.

BE/mt