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FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/08
 LAST UPDATED 2/12/08 HB _____

SPONSOR Ryan

SHORT TITLE Raise Property Tax Limitation Income Limit SB 355/aSPAC/aSFI#1

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	*See Narrative			

(Parenthesis () Indicate Revenue Decreases)

Relates to SB116 and HB295

SOURCES OF INFORMATION

LFC Files

Responses Received From

Aging and Long Term Services (ALTS)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SFI#1

Senate Bill 355 as amended was amended on the Senate floor to add another section allowing for the freeze of property value for homeowners who are disabled and whose modified adjusted gross income does not exceed 235 percent of federal poverty level. The provision is for property tax years 2009 and later. The valuation is frozen at the 2009 level or the tax year following the year the owner is determined to be disabled or first owns the residence.

2007 Federal Poverty Level (FPL)

Family Size	200%	235%
1	20,424	24,000
2	27,384	32,184
3	34,344	40,356
4	41,304	48,540
5	48,264	56,712
6	55,224	64,896
7	62,184	73,068
8	69,144	81,252

Synopsis of SPAC Amendment

The Senate Public Affairs Committee amended Senate Bill 355 to change the effective year for the new limit to 2009 rather than 2008. This addresses the timing concern that TRD had with respect to the limit being in place in 2008.

Synopsis of Original Bill

Senate Bill 355 changes the property tax valuation limit for low income homeowners who are 65 years and older. Current law freezes valuation on property if the homeowner is 65 years or older and has a modified gross income of less than \$18,000. SB355 would change the income threshold to 200 percent of the federal poverty level (FPL). The valuation freezes on 2008 if the taxpayer is over 65; freezes on the year the taxpayer turns 65; or freezes on the tax year after the tax year a home is first occupied if the owner is over 65.

The effective date is May 14, 2008.

FISCAL IMPLICATIONS

TRD reports that 7,500 currently benefit from the limitation and that with this change about 5,000 additional taxpayers will benefit. Since these taxpayers also benefit from the 3 percent maximum valuation increase, the impact both individually and collectively is likely to be very small. Any impact will be absorbed by other taxpayers as rates adjust to maintain the funding level required for debt service.

SIGNIFICANT ISSUES

Aging and Long Term Services:

The need for accessible, affordable housing in New Mexico is a serious issue for those over the age of 65. Health and housing concerns are often interrelated. Increases in property taxes may prevent a senior from being able to maintain community living. This issue is frequently cited as a major concern among seniors on fixed incomes whose disposable income is greatly reduced by increased housing costs. The Aging and Long-term services department is committed to promoting lifelong independence and healthy aging, and to supporting services being provided in home and community-based settings. This bill would assist some seniors to remain in their own homes, in the community, and to "age in place" instead of moving to unfamiliar surroundings, or being cared for in an alternative setting such as a nursing home or assisted living facility.

Accessible and affordable housing is an equally significant issue for people living with a disability. The Section of law that is being amended could extend this limitation on increase in home value to the disabled population, but it does not. The Aging and Long-Term Services Department serves the needs of all persons in need of long-term care services and support, including those with disabilities. We would recommend amending the bill to extend this important provision to people living with disabilities, as well as to individuals over the age of 65.

ADMINISTRATIVE ISSUES

TRD reports administrative impacts on the Taxation and Revenue Department from the proposed measure would be relatively minor. The stipulation that eligibility would be based on federal poverty guidelines would be problematic, however, because county representatives would be required to verify the number of dependants in households of taxpayers claiming the exemption. This would probably not be substantially more difficult than the current practice of determining modified gross income, however. A solution would consist of simply specifying that FPL guidelines based on a family size of two for all taxpayers would be the single criteria on which eligibility is based. As indicated above, this would place the eligibility threshold at \$27,380 in 2008.

OTHER ISSUES

TRD:

The Santa Fe County Assessor's office reports 56 taxpayers qualified for the limitation in tax year 2007. The individuals that qualified were mostly from older neighborhoods where property values are relatively low. Bernalillo County reports that 2,464 taxpayers are subject to the limitation. Dona Ana County representatives state that 457 taxpayers are subject to it, while the total in San Juan County is currently 100 taxpayers. In Sierra County, which has a relatively high concentration of retirees, only 53 taxpayers took advantage of this exemption. Estimates made by the Property Tax Division in the Taxation and Revenue Department indicate that approximately \$200,000 in tax benefits are provided statewide by the current limitation.

Taxpayers are probably not claiming the exemption because 1) the benefit is, in most cases, minor, and 2) they are not aware of it. A low-income taxpayer whose tax bill is \$500 would receive a tax benefit totaling only approximately \$15 the first year the taxpayer receives the bill. The benefit from the limitation to any particular taxpayer grows over time. The limitation does not insulate taxpayers from tax increases caused by rate increases, however.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

There are several other property tax bills being considered.

Senate Bill 355/aSPAC/aSFI#1 – Page 4

Bill Number	Title	Description
H229	END YIELD CONTROL ON SCHOOL MILL LEVY	Allow school districts to levy posted tax rate
H264	RESIDENTIAL PROPERTY TRANSFER AFFIDAVITS	Allow affidavits about property value to be used for county protests
H276/SB398	SUNCAL TAX INCREMENT PROJECT BONDS	10 percent diversion of Bernalillo County property taxes to tax increment district
H295/SB116	RAISE PROPERTY TAX LIMITATION INCOME LIMIT	Raise the income threshold for taxpayers over age 65
SB355cs	RAISE PROPERTY TAX LIMITATION INCOME LIMIT	Raise the income threshold for taxpayers over age 65 and establish a threshold for disabled owners.
H324	CHARITABLE CARE PROPERTY TAX VALUATION	Exempt certain nursing homes from valuation
H388	REQUIRE DISCLOSURE OF REAL PROPERTY TAXES	Disclosure of estimated property tax to home buyers
H617	PROPERTY TAX ON COMMUNICATIONS SYSTEM LAND	Expand the definition of communication system land in exemption
HJR1	NATIONAL GUARD VETERAN PROPERTY TAXES, CA	Include national guard veterans in military veteran exemption
HJR4	SENIOR CITIZEN PROPERTY TAX EXEMPTION, CA	Phase out property tax for seniors
HJR6	VETERANS' ORGANIZATION PROPERTY TAXES, CA	Exempt certain property from valuation
HJR10	STATEWIDE MILLAGE RATE FOR SCHOOL FUNDS, CA	Add additional 5 mills for education on statewide property tax
S449	LOW-INCOME PROPERTY TAX REBATE ELIGIBILITY	Expand income threshold for local government low income property tax rebate
S450	PROPERTY TAX VALUATION & REASSESSMENT	Revalue property that transferred in 2005/2006 to 2004 levels
S483	PROPERTY TAX ADMINISTRATIVE FEE THRESHOLD	Raise minimum amount of tax admin fee plus tax to \$15
S516	PROPERTY TAX DELINQUENCY NOTICES & TIMING	Extends the time limit property tax can be delinquent before sold.
SJR11	HEAD OF FAMILY PROPERTY TAX EXEMPTION, CA	Increases head of family exemption to \$20,000 from \$2,000.
SJR14	PROPERTY TAX LIMITATIONS, CA	Imposes maximum total tax levy of no more than 1 percent of current and correct tax value.

NF/mt:bb