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

		ORIGINAL DATE	02/02/10		
SPONSOR	Barela	**LAST UPDATED**		**HB**	153
SHORT TITLE	Property Tax Payment Requirements			**SB**	
				ANALYST	Clifford

REVENUE (dollars in thousands)

Estimated Revenue			**Recurring or Non-Rec**	**Fund Affected**
FY10	**FY11**	**FY12**		
NFI	NFI	NFI	N/A	Property Tax Beneficiaries

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Finance and Administration (DFA)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 153 makes a number of changes in the treatment of property on which property tax payments are delinquent. The Tax Department would be authorized to enter into agreements with counties to share the authority to collect delinquent taxes. Delinquent taxpayers would be responsible for reimbursing costs incurred by the Department or the counties in the collection of delinquent taxes. Properties could be sold for the reimbursement of costs as well as taxes. Municipalities and counties would be prevented from approving subdivisions if property taxes on the property within the preceding 10 years remain unpaid. Counties would be authorized to deny permits or licenses to persons with delinquent property tax liabilities. Delinquency notices would include property that has been delinquent for any period, rather than after two years. Provisions would apply in the 2010 and subsequent property tax years.

FISCAL IMPLICATIONS

TRD notes:

> The proposed legislation may reduce the Property Tax Division's only source of revenue (see below). Due to recent decisions by the State of New Mexico's budget making authority, the Property Tax Division will likely receive no General Fund revenues in Fiscal Year 2011, although it did receive a General Fund appropriation totaling approximately $550,000 in Fiscal Year 2010.

SIGNIFICANT ISSUES

The general intent of the bill appears to be to shift responsibility for collection of delinquent property taxes from the Tax Department to the counties. Impacts of this shift will depend on whether the counties are active in assuming this responsibility and also on how they implement their new responsibilities. One concern might be that collection procedures would vary in different parts of the state.

TRD notes:

> As required by law, county treasurers collect property taxes that are past due and distribute the revenues to property tax recipients - counties, municipalities, school districts and other entities. County treasurers, however, retain the interest charges totaling one percent per month on the unpaid tax obligations, and penalty totaling one percent per month against outstanding tax obligations, up to a maximum of five percent of tax obligations. When accounts become two and a half years past due, counties notify owners and transfer their list of delinquent accounts to the Taxation and Revenue Department's Property Tax Division. The Division then pursues all avenues to resolve the delinquent accounts before it sells the properties at auction, retains penalty, interest and cost of collection charges. Amounts remaining are returned to owners whose properties were sold. Allowing counties to impose charges for their cost of collection beyond the normal penalty and interest would thus affect the timing of county revenues, distributions to property tax recipients and cost charges flowing to the Taxation and Revenue Department.

ADMINISTRATIVE IMPLICATIONS

TRD:

> The proposed legislation may increase Taxation and Revenue Department and county administrative costs associated with cost-sharing agreements that would result from the proposed measure.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 86 is almost a duplicate.

TECHNICAL ISSUES

The proposed new language in section 7-38-62A appears to create the possibility for two sets of collections standards before and after the issuance of a delinquency list. The Department's rules would apply after the issuance of the list but no rules are established governing the county's procedures before the issuance.

TC/svb

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

1. ***Adequacy:*** *revenue should be adequate to fund government services.*
2. ***Efficiency:*** *tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.*
3. ***Equity****: taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.*
4. ***Simplicity****: taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.*
5. ***Accountability/Transparency:*** *Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.*

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc