

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 03/09/11

SPONSOR Vigil LAST UPDATED _____ HJM 51

SHORT TITLE Tax Impact Of Railroad Track Purchase SB _____

ANALYST Haug/Graeser

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		See Narrative				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Joint Memorial 51 requests that the Taxation and Revenue Department and the New Mexico Department of Transportation be requested to study the property tax impact on affected political subdivisions of the state's purchase of railroad tracks from the Burlington Northern Santa Fe railroad and to recommend an alternative revenue stream to replace the loss of tax revenue currently generated by the railroad for that section of railroad tracks. The study would be reported to the appropriate interim legislative committee by October 2011.

FISCAL IMPLICATIONS

House Joint Memorial 51 would require allocation of staff and resources on the part of the two departments charged with conducting the study. The demands placed on the departments should be modest in impact.

SIGNIFICANT ISSUES

The state of New Mexico has entered into an agreement to purchase from Burlington Northern Santa Fe railroad the railroad tracks that run parallel to interstate 25 from Lamy to the New Mexico/Colorado line.

The Burlington Northern Santa Fe railroad pays property taxes to the different political subdivisions of the state that are located along the railroad tracks.

If the state of New Mexico completes the purchase of the railroad tracks, each of the affected

political subdivisions will lose property tax revenue and the portion of the overall tax burden will shift proportionately to other taxpayers.

The DOT states:

NMDOT can provide TRD with copies of legal descriptions of the BNSF property that NMDOT acquired 1) from Belen to Bernalillo; 2) from Bernalillo to Lamy; and 3) for property which is currently under consideration for acquisition by NMDOT, from Lamy to the New Mexico/Colorado state line. NMDOT can also provide TRD with copies of each of the relevant purchase and sale agreements executed between NMDOT and BNSF.

NMDOT does not have property tax records, receipts or other tax related information regarding the subject property, but it is assumed that TRD either has such records in its possession, or can readily access such information, and thus can identify the property tax impact on the affected political subdivisions.

OTHER SIGNIFICANT ISSUES

Railroad property is centrally assessed by the Property Assessment Bureau of the Property Tax Division of TRD. The total value of the railroad as an operating entity is determined primarily based on capitalized revenues. This statewide value is allocated to the various jurisdictions based on track miles. (7-36-31. Special method of valuation; operating railroad property.) When the property is transferred from a railroad operating entity to the state, the property would probably not be assessed at all since it would be exempt. However, the transferred property might be subject to special assessments – such as road, sewer and water, storm drainage, or underground utility district assessments. Investigating this subtlety should be part of the charge to the study group.

This study brings up the intriguing possibility of payments in lieu of taxes between the state and the local governments. The federal government provides school aid, generally called “impact aid” or “forest reserve” payments, to school districts that include large acreage of forest or BLM lands or that include an Indian reservation or pueblo. While local governments have periodically requested payments from the state to the counties and municipalities in lieu of taxes, the effort has never gained much traction. This joint memorial, however, has the potential to address a narrow and limited impact in a narrow and limited fashion.

GH:LG/mew