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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED

SPONSOR HBIC **HB** 88/HBICS

SHORT TITLE Tax Delinquent Property Sales **SB** _____

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20	FY21	FY22		
	Minimal				Recurring	State GO Bond fund
	Small but positive				Recurring	Local debt and operating

Parenthesis () indicate revenue decreases

Duplicates Appropriation in the 2018 General Appropriation Act
 Relates to Appropriation in the 2018 General Appropriation Act

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

House Business and Industry Committee substitute for HB 88 provides new procedures to deal with the inventory of unsold real property parcels that have been assigned to the Property Tax Division of TRD for resolution.

In particular, the bill defines “abandoned real property” to be part of a subdivision where the subdivision has a minimum of 5,000 lots in delinquency, the lots are vacant, it is part of a subdivision plotted on or before 1980 and the property taxes, penalties and interest are delinquent for at least ten years. This restricts the definition to the massive delinquency problem in Valencia County.

A new section of the Property Tax Code would permit abandoned property to be sold by special sales. TRD could sell abandoned property on a newly authorized online platform. TRD may offer to sell abandoned property for less than the total amount of delinquent taxes, penalties, interest and costs. Sale of abandoned property at any price extinguishes all tax liens. If a special sale is conducted of properties within the external boundaries of a land grant-merced, the officials of the land grant merced have priority of purchase, provided that the newly recovered land becomes

part of the common lands of the land grant-merced.

There is no effective date of this bill. It is assumed that the effective date is 90 days after this session ends or May 16, 2018. The provisions of the bill apparently apply primarily to the existing inventory of unsold properties at PTD.

FISCAL IMPLICATIONS

There are currently over 110,000 delinquent properties in the state, but many of these are probably unsaleable due to market conditions. Last year PTD processed 8,400 of properties that were more likely to generate a sale, producing about 8,100 resolutions. However, only 558 of those resolutions were from an actual sale, the rest occurred before a sale took place. Revenue from property sales was approximately \$1 million, or about 6 percent of the total \$17 million generated by the PTD. However, some of the other money collected can be attributed to the sale process because it encourages taxpayers to resolve their outstanding liabilities. Current reporting does not enable PTD to calculate exactly how much additional revenue is generated in this manner.

However, this bill is quite specific in referring to the long-time delinquent subdivisions in Valencia county and other problem subdivisions. TRD has provided the following table to illustrate the problem:

HB0088	
Subdivision	Delinquent #
Valencia	53,470
Other Problem Subdivisions	31,976
Conventional Delinquency	30,709
Total Accounts	116,155

SIGNIFICANT ISSUES

The problems that resulted in long standing failed subdivisions began in the 1960s. New Mexico doesn't escheat real property, so delinquencies that may not have had a viable heir for fifty years are still owned by the original deceased taxpayer. Perhaps some of New Mexico's failed subdivisions should have been vacated and replotted years ago. Maybe others should have been selectively annexed by counties or municipalities with an economic use for large tracts of vacant undeveloped land. It doesn't appear that these properties have been the subject of complex economic and land use planning for decades.

ADMINISTRATIVE IMPLICATIONS

TRD may explain that there are costs to this proposal, but that the costs will be far lower than if each individual parcel would have to be fully researched, documented, advertised and sold.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Up to 85,000 unsold delinquent parcels will remain – perhaps forever – in the PTD inventory.