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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/4/2020  
 SPONSOR Shendo LAST UPDATED 2/11/2020 HB \_\_\_\_\_

SHORT TITLE Valuation Increases for Low-Income Disabled SB 117/aSCORC

ANALYST Graeser

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23	FY24		
		Minimal	Minimal	Minimal	Recurring	State GO Bond capacity and revenue
		Minimal	Minimal	Minimal	Recurring	County Treasurers (Revenue Beneficiaries)

Parenthesis ( ) indicate revenue decreases  
 Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of SCORC Amendment

Senate Corporations and Transportation Committee amendment narrows the time window in which qualified individuals must file an application for the valuation freeze. In both cases of low-income elderly homeowners or low-income disabled homeowners, the application must be filed within 30 days of the date the assessor mails the notice of valuation. The amendment also simplifies the qualification provisions for low-income homeowners 65 or older. This simplification is technical, because 7-36-21.3 (B) requires the assessor to inspect the proof of eligibility.

#### Synopsis of Bill

Senate Bill 117 further clarifies the provisions of Laws 2019, Chapter 140 (HB429) which clarified, simplified and increased the ceiling for modified gross income in order to allow homeowners who are low income and either 65 or older or disabled to have their home property tax valuations frozen. The income upper limit was established in that bill as a modified gross income of \$35 thousand per year and adjusted for inflation. This bill further specifies when disabled persons would qualify, making that language more consistent with when persons 65 or older would qualify.

There is no effective date of this bill. It is assumed that the effective date is 90 days after this session ends (May 20, 2020). Valuations are established as of January 1 of each year, so the earliest that the provisions of this bill would become applicable is the 2021 tax year with tax payments due in November 2021 and April 2022.

## **FISCAL IMPLICATIONS**

Although last year's HB429 increased a property tax expenditure, this bill is in the nature of a technical fix so that the law achieves last year's intended purpose.

TRD reports the following: "... the proposed language further clarifies when disabled persons would qualify for the property tax valuation freeze. Current statute is not explicit on which valuation date should be used. Because other sections of the current statute already require proof of disability it is estimated that little to no change in persons applying for the valuation freeze would occur."

While the impact of this clarification on revenues and capacities is minimal, it could mean a significant amount for a few individuals. This section of statute (7-36-21.3 NMSA 1978) provides for a property tax valuation freeze as of a certain date. With the 3 percent cap of 7-36-21.2, the most likely impact on the individual taxpayer would be 1-year, or 3 percent increase in frozen valuation. The only exception to this 3 percent rule might be a situation in which an assessor denied an application for frozen valuation but that denial was overturned. The dating provision of this bill would roll back the frozen valuation to the date of application.

## **SIGNIFICANT ISSUES**

TRD reports, "...this bill ensures disabled persons will qualify for the property tax valuation freeze as of a date certain and this will prevent confusion amongst taxpayers and county assessors around this issue."

## **PERFORMANCE IMPLICATIONS**

The LFC tax policy of accountability is not met since TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking advantage of this freeze provision. Unfortunately, this criticism can be applied to many aspects of the imposition, collection and distribution of revenues relating to the property tax.

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