

# *Property Tax Presentation to Revenue Stabilization & Tax Policy Committee*

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DFA Local Government Division publishes information on property valuations and mill levy rates in its annual “Property Tax Facts” publication posted on the DFA/LGD website:

[http://nmdfa.state.nm.us/Property Tax Facts.aspx](http://nmdfa.state.nm.us/Property_Tax_Facts.aspx)



# New Mexico Law

## ☐ NM Constitution:

- ☐ Article VIII Section 1: Taxes shall be levied in proportion to value (**ad valorem**), except that annual increases in value of residential property may be limited by owner-occupancy, age or income.
- ☐ Article VIII Section 2: Tax rates for operating purposes limited to \$20 per \$1,000 of net taxable value (20 mills) without voter approval.

## ☐ Section 7-37 NMSA 1978 defines the \$20 maximum mill rates:

- ☐ Counties can impose a maximum rate of \$11.85
- ☐ Municipalities can impose a maximum rate of \$7.65
- ☐ School Districts can impose a maximum rate of \$0.50

## ☐ New Mexico “Property Tax Code” [Section 7-35 thru 7-38, NMSA 1978]:

- ☐ The Code is administered by the Department of Taxation and Revenue
- ☐ Partly administered by the Department of Finance & Administration
- ☐ Section 7-36, NMSA 1978 provides for valuation methods for property taxation.
  - ☐ Responsibility of county assessors to maintain **current and correct values** (7-36-16)
    - 1) Add new properties; 2) Add property improvements; 3) Compare to sale prices
  - ☐ **Residential properties limited to annual valuation increase of 3%** (7-36-21.2)
    - 1) Based on owner-occupancy; 2) Conflicts with maintaining current and correct values
- ☐ Section 7-37, NMSA 1978 applies to and governs the imposition of the property tax rates authorized.



# Key Terms

- **Assessed Value** – This is the “valuation for property taxation purposes” and is the county assessor’s estimate of a property’s value.
- **Taxable Value** – This is the assessed value multiplied by the tax ratio of one-third (33-1/3%) as established by statute.
- **Net Taxable Value** – This is the taxable value minus head-of-family and veteran exemptions.
- **Mill Levy** - Mill Levy or tax rate is defined as that rate that is applied for each one thousand dollars (\$1,000) of net taxable value of both residential and nonresidential property allocated to the governmental entity.
- **Maximum Authorized** – Statute authorizes various local governmental entities to impose mills levy rates up to the maximum limits allowed in applicable statute.
- **Increments** - Mill Levy (tax rate) increments – The governing body may impose a new or add/subtract increments to the existing mill levy after it determines that additional/reduced revenue is needed for general operating purposes.



# Key Players

- **Local level**

- **County Assessor:** maintain current and correct values, report to PTD and DFA, prepare property tax schedule
- **County Treasurer:** bill, collect and distribute property taxes
- **Governing Bodies of Local Taxing Entities:** impose property tax rates as allowed by law
  - Major governmental units (county, municipality, school district)
  - Other governmental units (public improvement districts, soil & water conservation districts, water & sanitation districts, flood control authorities, hospital districts, college districts)

- **State level**

- **TRD: Property Tax Division and Oil & Gas Bureau** (determine & certify property valuations)
- **DFA: Local Government Division** (prepares tax certificates by September 1<sup>st</sup>) and **State Board of Finance** (calculates state general obligation bond debt mill levy rate)
- **Public Education Department** (certifies all school district mill levy rates to DFA by August 15<sup>th</sup>)
- **Higher Education Department** (certifies all university branch & community college mill levy rates to DFA by August 15<sup>th</sup>)
- **Livestock Board** (imposes livestock mill levy rates)
- **NM Soil & Water Conservation Commission** (coordinates with soil & water conservation districts to provide mill levy rates to DFA)



# Types of Tax Property Tax Rates

- **Operating Mill Levies** – generates recurring revenue which pays for salaries & benefits, contract services, equipment & supplies, insurance, fuel -- the entity's day-to-day operations.
- **Special Mill Levies** – generates revenue for school district capital projects, operation & maintenance of county hospitals, and operation of special taxing districts (such as water & sanitation, arroyo flood control authorities, soil & water conservation districts)
- **Debt Mill Levies** – pays the principal and interest on indebtedness, which is incurred generally for acquiring or constructing capital facilities.



# Yield Control Formula (7-37-7.1 NMSA 1978)

- ☐ Statutory intent is to prevent extraordinary tax increases in response to property reassessment.
- ☐ As valuations increase/decrease, the rate adjusts to limit tax increase/decrease to approximately the rate of inflation and growth attributed to new construction.
- ☐ Calculates residential & non-residential properties separately based on aggregate totals.
- ☐ Does not affect valuation of individual properties.
- ☐ Applies to operating rates imposed under 7-37-7.
- ☐ Applies to other operating and special levies authorized outside the Property Tax Code (for example, county hospitals, school district capital projects) unless authorizing statute specifically excluded the application of yield control.
- ☐ Does not apply to general obligation bond debt mill levy rates.
- ☐ Newly imposed operating or special levies are not subject to yield control the first year of imposition.



# DFA Property Tax Timeline

