Overview and History of the New Mexico
Property Tax

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Introduction: This short survey of the history of New Mexico's property tax since 1973 highlights the more significant features and events. It does not cover all topics nor is it an exhaustive blow-by-blow description.

New start in 1973: Following an exhaustive two-year study headed by Rep. Gene Cinelli, the Legislature enacted in 1973 the Property Tax Code that we all know and love. The Code established today's structure and processes of the property tax valuation, rate-setting, billing, collection and protest cycle; see Appendix A. Note, though, that all this was based on technology available in the late 1960s and early 1970s.

The Code completely replaced prior law but was not effective until January 1, 1975 to allow glitches to be spotted and corrected before going "live". Two major action areas emerged for 1974: handling of delinquencies and valuation of industrial and commercial property.

1. Under the former regime, counties were the primary enforcers of property tax obligations. If taxes became delinquent, the county issued a "tax deed" against the property. Thus the county technically became the owner of the property—which excused the property from further taxes as long as the deed existed—but left possession and use to the "former" owner until the county acted to enforce its deed. (In many counties, enforcement was intentionally lax during the Depression.) Under the Property Tax Code, the ultimate enforcer became the state, specifically what is now the Property Tax Division (PTD) of the Taxation and Revenue Department (TRD). Now the state takes whatever title the owner of record has and possession of the property as well. PTD then auctions off the seized title to satisfy the tax obligation. The state does not sell, and does not hold itself out as selling, clean title. It merely offers whatever title, however defective, the former owner had. It is because this enforcement function rests with the state that TRD has a strong interest in making sure that the rest of the Code is followed

by county folks (to minimize the number of unpopular sales for delinquent taxes). The collected taxes go to the respective county treasurers for distribution to the tax-imposing entities. Since 1995, PTD retains any penalty and interest collected on sales of real property. Beginning in 1998, responsibility for collecting delinquent taxes on personal property devolved entirely to the counties; the state now handles only real property.

2. Most property is to be valued by generally acceptable methods of appraisal: the comparable sales, cost and income approaches to value. The Legislature, however, provided “special methods” of valuation for industry. Generally these truly “special” methods call for an historical cost less straight-line depreciation approach. (The recognized appraisal standard is “replacement cost new less depreciation”.) By contrast, the so-called “unit method” (which combines several approaches, including value of the company’s capitalization) is applies to railroads and communications systems. Most of these categories of property are valued by PTD, presumed to have the horsepower to perform technically complex valuations. These include valuation of mineral properties, transportation (railroads, airlines, pipelines), public utilities and electric generating plant, communications systems and construction machinery and equipment used in more than one county during the year. PTD can and has handed responsibility for single-county water utilities and communications systems to the counties. Special methods also apply to properties usually under the purview of county assessors: those for agricultural land, livestock, residences, manufactured homes and business personal property not valued under another special method.

During this same time period (early 1970s), financing of New Mexico’s public schools was reformed and the school funding formula created. The state took responsibility for funding operations of all public schools from its own general fund revenues. The funding formula took credit, however, for 95% of any tax revenue received by school districts. Eventually the state simplified the scorekeeping by relieving the school districts of most of their property tax authority for operating purposes, leaving them a $0.50/$1,000 rate for which 75% credit is now taken. School districts continue to levy rates for capital improvement.

Organizations: Under prior law, the responsible state agency was known as the State Tax Commission. With the Code, it became the Property Appraisal Department. When state government re-organized in 1978, that agency became the Property Tax Division of the newly-created Taxation and Revenue Department. The PTD Director is directly responsible to the Secretary of Taxation and Revenue.

The Department of Finance and Administration (DFA) and Office of the State Engineer have roles in setting the tax rates each year. DFA also approves county budgets and can withhold approval for the entire budget if the county assessor's office is not properly funded.

The county assessor and county treasurer are the local officials most directly connected to the property tax system. Indeed the assessors carry the bulk of the valuation burden. County treasurers bill and collect property taxes based on the tax schedule prepared by the county assessors with input on state-valued properties from PTD. County treasurers basically have 2.5 to 3 years to collect taxes due on real property before the account must be turned over to PTD for ultimate action. County treasurers enforce delinquent taxes due on personal property. County clerks are also involved through their recording of documents and tracking of building permits. Some counties have IT, legal and other staff units that may contribute as well.

Property value terminology: Because our Constitution does not consistently describe the value on which property tax is to be levied, the Property Tax Code uses these terms:

1. *Valuation for property taxation purposes*. This is the assessor's estimate of the property's value. Since this value should in a perfect world reflect the property's actual market value, this is also referred to as "market value" or "full value".
2. *Taxable value*. This is the valuation for property taxation purposes multiplied by the tax ratio, which is set by 7-37-3 NMSA 1978 at a uniform 33.333%. Some special benefit assessments are applied against taxable value.
3. *Net taxable value*. This equals taxable value less any applicable head-of-family or veteran exemption and is the amount against which rates levied under the Property Tax Code are charged.

Tax rates: The New Mexico Constitution since 1933 limits the combined operating levies of the four principal units of government (state, counties, municipalities, school districts) to twenty dollars per thousand dollars of net taxable value ($20/$1,000) or, in older terminology, 20 mils per dollar of net taxable value ($0.002/$1). The state determines the allocation of the $20/$1,000 limit among governmental bodies and the allocations have changed over the years. The state stopped levying its own operating rate in 1980. Since 1986, the split has been $11.85/$1,000 for counties, $7.65/$1,000 for municipalities and $0.50/$1,000 for school districts.

These are not the only rates. The Constitution authorizes additional rates, both for operating purposes and for repaying debt, if the imposition is ratified by a vote of the people in the district attempting to levy the tax. Although the Legislature has required some of the operating rates to be put to a vote of the people periodically, a one-time electoral approval suffices to levy a tax (usual practice for debt levies). Grants of property tax imposition authority are scattered throughout the statutes.

Property classification: Technically all property belonged to a single class until 1981. In that year residential property was put into a separate class from non-residential (=everything else).

> 7-35-2K. "residential property" means property consisting of one or more dwellings together with appurtenant structures, the land underlying both the dwellings and the appurtenant structures and a quantity of land reasonably necessary for parking and other uses that facilitate the use of the dwellings and appurtenant structures. As used in this subsection, "dwellings" includes both manufactured homes and other structures when used primarily for permanent human habitation, but the term does not include structures when used primarily for temporary or transient human habitation such as hotels, motels and similar structures.

The motive for placing all property in one class had been to constrain the Legislature from hitting commercial and industrial property harder than residential property—which many other states do and have done since time immemorial. Since the division into two classes, non-residential property is still subject to the same tax ratio and tax rates as residential property. The separation made it easier to apply yield control and, eventually, distinct constitutional and statutory provisions for residential property.

Exemptions: By authorizing taxation of tangible property only, Article VIII, Sec. 1 of the New Mexico Constitution implicitly exempts all *intangible* property, although it also explicitly exempts government-issued bonds. Section 3 of that Article exempts some real property from property taxation—government-owned property, church property not used for commercial purposes, property used for educational or charitable purposes, and a few others.

"Government-owned property" includes property interests of a lessee under a lease from a state agency or local government in project property acquired by the government through any of the various economic development bonding acts (e.g., an industrial revenue bond act, Pollution Control Revenue Bond Act, Statewide Economic Development Finance Act, Metropolitan Redevelopment Code, Hospital Equipment Loan Act and Enterprise Zone Act).

Since the 1920s, our courts have narrowly construed the meaning of "property used for educational or charitable purposes". Mere ownership by an educational or charitable organization is not nearly enough; the property must actually be used for an educational or charitable purpose. Our Supreme Court lately has modified this somewhat by opining in ***CAVU Co. v. Martinez***, 2014-NMSC-029, aff'g in part, rev'g in part 2013-NMCA-050, 302 P.3d 126 that assessors must consider the owner's active efforts to try to utilize the property in a charitable or educational manner.

The Legislature does not have the power to exempt any real property other than through initiating a constitutional amendment but may exempt personal property from taxation by a three-fourths majority (Article VIII, Sec. 3). Section 7-36-8 (presumably enacted by a three-fourths majority) generally exempts personal property—except livestock, most manufactured homes, property used in business (other than most commercial inventories) and certain vehicles. Business property depreciated under IRC Section 179 is subject to property tax in the year of acquisition but not in subsequent years.

The head-of-family, veteran, disabled veterans and veterans' organization exemptions are also written into the Constitution (Article VIII, Sections 5, 15 & 16). The current exemptions levels are: $2,000 (since 1993) for the head-of-family exemption and $4,000 (since 2006) for the veteran exemption. Because these exemptions are deducted after application of the tax ratio, they are effectively $6,000 and $12,000 respectively against market value. Under a 1998 provision, a total exemption is granted for property occupied as the veteran's principal place of residence by a veteran with a service-connected one hundred percent permanent and total disability; this was extended to special benefit assessments as well in 2015. Property of a veterans' organization chartered by the US Congress, used primarily for the benefit of veterans and their families, became exempt in 2011.

General rules for valuation: Article VIII, Sec. 1 requires generally that taxes shall be equal and uniform upon subjects of taxation of the same class. A 1971 amendment provided that different methods of valuation are allowed for different kinds of property. (This opened the door for the "special methods".) An amendment in 1998 ordered the Legislature to limit the annual increase in valuation of residential property based on owner-occupancy, age or income.

Valuing mineral property:
Properties producing oil or natural gas have been taxed since 1959 under the Oil and Gas Ad Valorem Production Tax, not the Property Tax Code. Oil and gas production equipment since 1969 has been assessed (50% of production value) under yet another separate statute, the Oil and Gas Production Equipment Ad Valorem Tax Act (9% of production value). In 1990 copper-producing property and related equipment were put under the Copper Production Ad Valorem Tax Act. Essentially these separate enactments function as "special methods" that establish taxable value of the property as a function of the value of mineral produced. Periodically disputes arise over which production equipment is subject to the Oil and Gas Production Equipment Ad Valorem Tax Act and which to the Code.

Valuing residential property: Valuing homes is the touchiest part of the whole assessment process. The secular trend, not only in New Mexico but nationwide, is for residential property to make up a larger and larger portion of the property tax base. But for the burgeoning reliance on gross receipts tax, the cost of government operations in most communities would be increasingly borne by the home-owner (voter). So treatment of residences has commanded a fair amount of attention.

One effect of enacting the Property Tax Code and consolidating what had been the Property Appraisal Department into the Taxation and Revenue Department was increasing the professionalism of the state property tax staff. This translated into pressure on the county assessors to keep up valuations as the Code required. Since in the mid 1970s many counties had not generally reappraised for years, when they did large jumps in valuation often ensued. Naturally this led to homeowner unhappiness when no offsetting rate relief was forthcoming. It didn't help that Bernalillo County was caught discriminating against certain homeowners (***Ernest W. Hahn, Inc. v. County Assessor***, 1978-NMSC-094, 92 N.M. 609, 592 P.2d 965).

1977: The Legislature reacted with a ten percent limit on the year-to-year increase in the valuation of residences. Interestingly, the cap excluded increases due to improvements, zoning changes and other non-market reasons.

1979: The valuation-increase limitation could be inequitable and was administratively hard to deal with, so it was replaced with "yield control". Yield control is a statutory formula at Section 7-37-7.1 designed to dissociate valuation increases from tax increases. [See Appendix B.] It does permit revenue increases up to five percent for inflation (a bigger concern then). By controlling the increase in revenue (the yield) hitherto connected with valuation increases, home-owners *collectively* would not be punished by a big jump in taxes as a result of periodic equalization of valuations. Valuation and taxation of seriously undervalued *individual* properties, however, could rise dramatically. Because yield control originally applied to nonresidential as well as residential property in a taxing jurisdiction, its rate-reducing impact was diluted. Some of the tax-reduction effect accrued to owners of nonresidential property, not solely to the home-owners who faced valuation increases.

1981: Residential property was put into a classification by itself. Yield control was amended to apply only to residential property, thus concentrating all the tax-suppression benefits on residential property owners. (Somewhat later, yield control was extended separately to nonresidential.) That same year the

Legislature also re-entered the valuation fray by creating a special method for valuation of residential property (Section 7-36-21.1, since repealed). Essentially all residential property valuations had to be rolled back to 1975 price levels.

1983: Freezing valuations at the level prevailing in a particular year becomes more difficult to apply to new construction as new housing features, new materials and new construction techniques emerge that have no equivalents in the base year. So, the special method for residential property was adjusted to require 1975 price level valuation for tax years 1982 through 1985 and a 1980 level for tax years 1986 through 1990. Yield control was expected to defuse the 1986 valuation bump. This valuation regime, however, did not apply to any year after 1990, the draftsman explaining "that by then the Legislature would have tired of the insanity."

1985: The Legislature did tire of trying to legislate valuations and repealed the special method, allowing the general "current and correct" standard (Section 7-36-16) to prevail. By rule 3.6.5.23 NMAC "current and correct" value for the current year means, for properties acquired (newly constructed or purchase of an existing structure) in the year before the current year, the property's market value in the year of acquisition. For a property that did not change ownership, it meant the property's market value in the prior year or, if the county is using a two-year reappraisal cycle, two years prior.

From the mid-1980's through the early years of this century, counties generally have been on a two-year valuation cycle (something still permitted by rule 3.6.5.23C NMAC). PTD direction, however, has been to push all counties into reappraising annually.

1990s: Several attempts were made to introduce a California-style acquisition-price valuation system into New Mexico. Generally this regime would assess a property at its market value in the year built or purchased. That valuation remains the property's valuation until sold, perhaps with a small and uniformly applied percentage increase in subsequent years to account somewhat for inflation. Because basing a residence's value on its acquisition value was clearly contrary to Article VIII, Sec. 1 as it was then written, that section was amended in 1998 to <u>require</u> that annual increases in valuations of residential property be limited. The limit is to apply to residential properties (only) and could be based on owner-occupancy, age or income. Legislation implementing the valuation cap applies rules state-wide although the constitutional language also allows for a county-by-county basis.

2000 et seq.: Two statutory limitations were enacted to meet the new constitutional mandate.

Section 7-36-21.3: This narrow limitation originally provided a zero percent limit (= a valuation freeze) only to owner-occupied single-family housing belonging to a low-income person aged 65 or older. In 2003, eligibility for the freeze was extended to blind or permanently disabled individuals, regardless of age. Originally the maximum income was modified gross income of $18,000 but later was elevated. As a result of legislation this year, the eligibility ceiling is a modified gross income of $35,000, which is indexed for inflation in succeeding years. It has been noted that the income limit is close to the median income in several counties. The 2019 amendment also appears to have made ineligible blind or disabled persons under 65.

Section 7-36-21.2: This general limitation applies to all residential property other than those subject to the valuation freeze. It caps annual valuation increases to no more than three percent, provided that the county met certain assessment standards by the 2004 tax year (all did). There are no age, income or occupancy requirements. The limitation does not apply to residences in the first year of valuation or to valuation changes from physical improvements of the property or from zoning changes. Valuation reverts to its current and correct value when the property changes hands (except for specified intrafamilial and technical transfers).

The constitutionality of some features of the general limitation were challenged but ultimately upheld. (***Pinghua Zhao v. Karen Montoya*** and ***Gregg and Janet Fallick v Karen Montoya***, 2014-NMSC-025, 329 P.3d 676, No. 33,589, June 30, 2014).

Yield control and the valuation increase cap are not the best of buddies. To see why, let's look at what could happen in a reappraisal year. Assume that the district-wide increase in property market values (prior to application of either yield control or the limit on valuation increases) is 4 percent and that the inflation index used by the yield control formula is 2 percent for the year. By itself, yield control would force the district's tax rate down by almost two percent. Section 7-36-21.2, however, caps valuation increases on individual homes at 3 percent. That means that around one-quarter of the valuation increase does not get booked into "valuation for property taxation purposes" this year. So the yield control rate-suppressing effect shrinks to less than 1%. This has unequal impacts on property owners. Owners whose valuation increased by no more than three percent receive only the yield control benefit. People whose market value rose over 3 percent enjoy both the yield control benefit and the tax-saving effects of the restraint on their home's bump in valuation.

Why is the property tax system under stress? The short answer is that the costs of local government paid for by property taxes increasingly are placed on the home-owner. Graph 1 and Table 1 show the valuation trends since 1986.

Graph 1

Percentage of Net Taxable Value
Represented by Residential and Non-residential Property

(Excluding Oil and Gas Valuations)

1986 - 2018

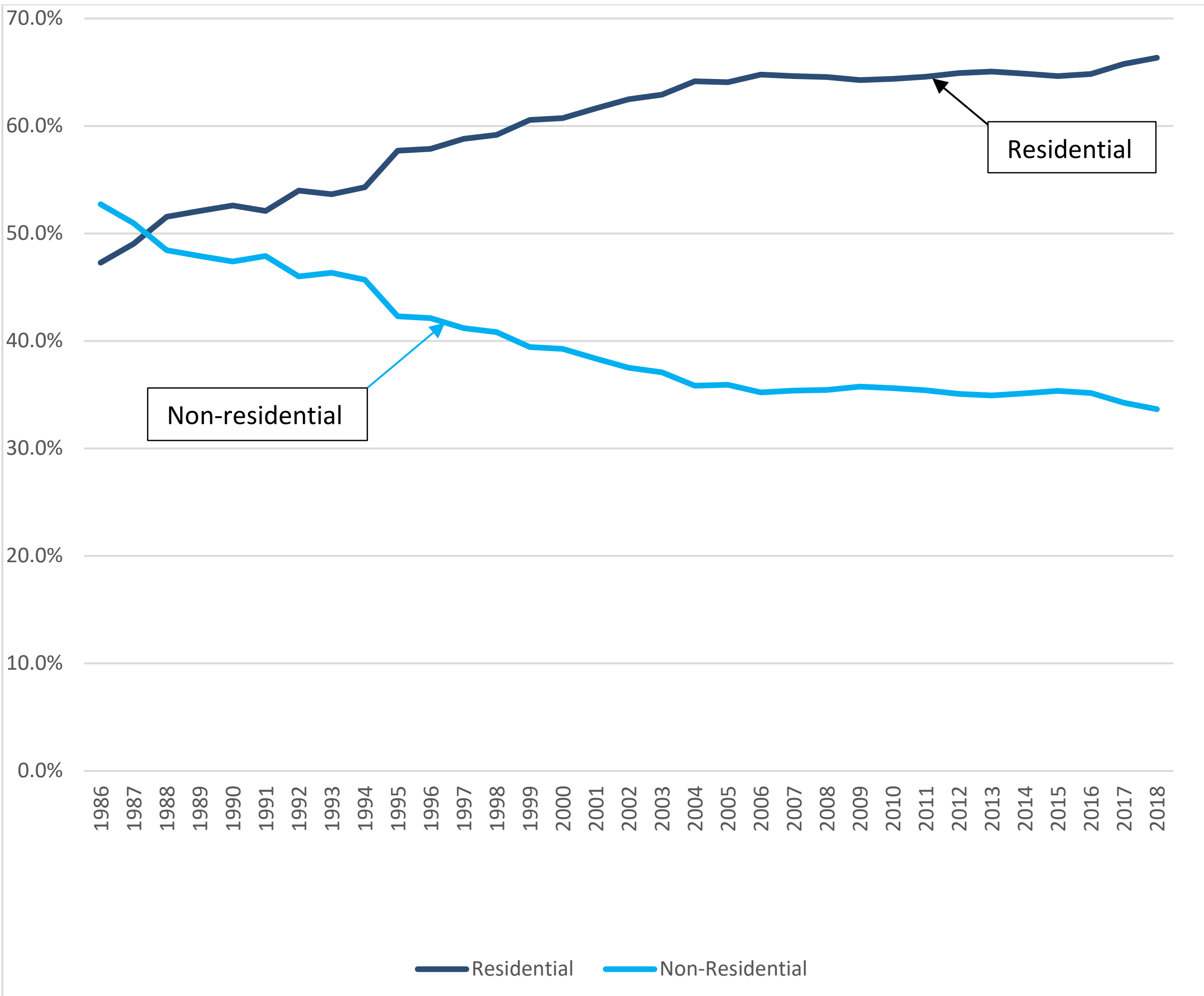

Table 1

New Mexico Net Taxable Values

(Dollars in Thousands)

Property Tax Year	Residential	Non-Residential	Oil and Gas	Copper (1)	Net Taxable Value
1986	5,349,000	5,963,500	2,391,200		13,703,700
1987	5,607,300	5,829,300	1,317,800		12,754,400
1988	6,874,300	6,458,500	1,418,100		14,750,900
1989	7,215,800	6,633,800	1,249,500		15,099,100
1990	7,486,700	6,745,300	1,353,800		15,585,800
1991	7,574,700	6,963,600	1,628,500		16,166,800
1992	8,172,378	6,961,832	1,452,500	210,400	16,797,110
1993	8,377,000	7,234,700	1,722,000	177,800	17,511,500
1994	8,723,123	7,342,186	1,893,527	173,007	18,131,843
1995	10,729,781	7,867,383	1,694,195	184,300	20,475,659
1996	11,150,455	8,120,033	1,562,622	214,300	21,047,410
1997	12,228,583	8,563,893	2,371,034	235,557	23,399,067
1998	12,678,034	8,750,029	2,520,530	236,629	24,185,222
1999	14,527,670	9,460,193	1,852,447	192,897	26,033,207
2000	15,121,296	9,776,225	2,166,427	160,906	27,224,854
2001	16,288,212	10,132,672	4,152,677	117,376	30,690,936
2002	17,122,546	10,282,442	4,238,592	106,874	31,750,454
2003	18,322,361	10,796,652	3,024,570	65,614	32,209,197
2004	19,395,922	10,834,456	4,611,891	65,157	34,907,427
2005	21,085,810	11,821,267	5,563,785	78,236	38,549,098
2006	22,996,362	12,497,982	7,259,891	73,879	42,828,114
2007	25,892,232	14,170,498	6,722,542	133,262	46,918,535
2008	27,798,246	15,259,323	7,065,955	160,279	50,396,024
2009	29,455,894	16,383,865	8,033,975	172,481	55,046,214
2010	29,845,647	16,513,415	4,556,355	125,538	51,040,955
2011	30,265,867	16,594,030	5,868,725	117,477	52,846,099
2012	30,794,394	16,639,038	6,938,090	119,440	54,490,962
2013	31,320,905	16,824,354	6,431,256	149,491	54,726,006
2014	31,678,950	17,161,038	7,710,780	184,736	56,735,505
2015	32,396,576	17,720,157	8,463,290	211,459	58,791,482
2016	33,533,677	18,181,319	4,982,793	224,778	56,922,567
2017	34,767,933	18,104,473	4,359,518	219,831	57,451,756
2018	35,934,821	18,226,388	6,338,179	199,561	60,698,949

Data for 1986 through 2007 supplied by Dr. Al Maury from publications of New Mexico Department of Finance and Administration. 2009 through 2018 data from DFA Local Government Division, "Final Valuations" for the respective years. See Division's web site. Details may not add to total because of independent rounding.

(1) From 1986 through 1991, copper property was valued as mineral property under the Property Tax Code; valuations of that property are included in the non-residential totals for those years.

Over the thirty-three year period covered, total residential valuations have risen twice as fast as total non-residential (576% to 281%). Residential valuations have exceeded non-residential valuations (excluding oil and gas but including copper) since 1988 and the gap has widened virtually every year since then.

Observe the sharp increase in residential valuations—despite the two valuation cap statutes—since 2004, the first year in which 7-36-21.2 was in effect. The post-2007 recession virtually halted the growing spread between the two classes for about a decade but lately it has resumed. During this period, residential valuations have increased by about 85% while non-residential (including copper) by 69%.

There are many reasons for the three-decade trend. In the US generally, manufacturing operations have tended to move off-shore; raw materials and components increasingly are imported. Interstate competition for jobs has led to exemptions for factories and other high-value industrial and commercial properties. Production of services and intangibles are more labor- than tangible property-intensive. Market values of residential properties have risen through time partly because of real factors (population increase, greater quality) and artificial (financial market legerdemain, government policy).

The small comfort is that this long-term trend shows up in other states too. Unhappily, they have been no more successful than New Mexico in solving this property tax problem. California, for example, has ruined its once excellent public education system in its efforts to placate anti-taxers.

Tax Payment: Taxes are due normally on November 10 each year. By statute, tax amounts of $10 or more are due in two equal installments on November 10 and the following April 10. In addition, each board of county commissioners may offer two other payments options. (1) 4 payment option: For property tax amounts of at least $100, the owner may pre-pay by July 10 25% of the previous year’s tax (credited against the November 10 installment of the current year’s tax) plus a payment of half the second installment on January 10 (credited against the April 10 second installment). (2) Ten payment option: A prepayment equaling 10% of the previous year’s tax is due for nine consecutive months beginning June 1 and the balance for the current year due on March 1 of the following year. This option is not permitted if taxes are escrowed for the property owner and included in the monthly mortgage payment.

Tax relief: Nothing in the Property Tax Code grants ***tax*** relief. Exemptions, special methods and valuation increase limitations provide only ***valuation*** relief. Nothing in the Code forgives or relieves a taxpayer of the tax due arrived at after all the valuation adjustments. Nonetheless the Legislature is aware of the plight of its property-owning poor but has chosen to channel tax relief through the personal income tax. (The property tax system seldom collects income information about a property owner.)

1972: Low Income Comprehensive Tax Rebate (Section 7-2-14). Over the years, the eligible income levels and rebate amounts have been expanded (but not since 1998). Currently any resident whose modified gross income is not over $22,000 may claim a rebate (whose size varies depending on the number of the claimant's dependents and the claimant's age). The rebate returns part of the excess burden of all taxes (at least theoretically including the property tax) that people below the federally-established low income level bear compared with people right at the low income level. (Really poor people are seen to pay a higher percentage of their income in taxes than folks at the low-income level.) Maximum rebate is $320. Thousands of taxpayers receive this rebate annually, which is funded entirely by the state. How much relates to property tax liabilities is not knowable.

1977: Rebate of "excess" property tax liability (Section 7-2-18). For persons aged 65 and over whose modified gross income does not exceed $16,000 (both homeowners and renters), TRD will rebate the excess of the actual property tax paid over an amount set in statute for the taxpayer's income level if the amount actually paid exceeds the statutory figure. The maximum allowable rebate is $250. The basic program is entirely funded by the state. This program has not changed since 1993 except that in 1997, counties were authorized to ask that otherwise eligible taxpayers owning property in the county and whose modified gross income is over $16,000 but not over $25,000 qualify too. The catch is that the county has to pay for the additional rebates granted.

	"Excess" rebate	
Tax Year	# Returns	Refunds Paid
2006	19,413	$3,627,502
2007	19,047	$3,570,569

Note: Final statistics for tax years after 2007 (returns filed in 2008) are not publicly available.
Source: Tax Research Office, Taxation and Revenue Department.

1994: Rebate of portion of municipal, county taxes (Sections 7-2-14.3 through 7-2-14.5): Counties may ask TRD to give refundable rebates to low-income owners of principal residences within the county. The rebates vary from 75% down to 35% of eligible property taxes on that property, depending on modified gross income. Only owners whose modified gross income does not exceed $24,000 qualify. The eligible property taxes are the municipal operating rate (up to $7.65/$1,000) and the county operating rate (up to $11.85/$1,000). Maximum rebate is $350. The county must reimburse the state for the rebates granted. The county is authorized to impose a $1/$1,000 property tax rate on all property in the county to raise the necessary funds.

Note: In January of each odd-numbered year in which a county does not have this program in place, the county commission must hold a public hearing on whether it should.

	County-Option Rebate	
Tax Year	# Returns	Refunds Paid
2006	73	$20,204
2007	79	$21,735

Note: Final statistics for tax years after 2007 (returns filed in 2008) are not publicly available.
Source: Tax Research Office, Taxation and Revenue Department.

The effectiveness of relief measures in place is unknown since TRD stopped publishing any information on them as of 2007. It is probably fair to say, however, that the existing tax relief measures, however woefully underfunded, aim at low-income home-owners and probably might be considered too expensive to extend to the middle-classes.

Conclusion: Despite the thrashing about both legislatively and administratively, property taxes on residential property have been and remain a serious bone of political contention. There are no easy solutions. There has been a marked reluctance on the state's part to provide property tax relief; this issue has been seen as a local government problem since the state itself gets little revenue from this source.

Appendix A

Property Tax Administrative Cycle

• **Year 1**, January 1 – valuation date (except for some moveable property, like livestock, construction equipment)
• 1st 3 weeks of January – assessor to publish weekly newspaper ads explaining requirement for reporting property, changes and claiming exemptions.
• Last day of February – owner must report property and improvements to assessor or PTD, as appropriate. Real property reported in prior year need not be re-reported. Owner to report change in classification or use of property or a statement claiming a decrease in the property's value. Deadline for claiming exemptions and limitation on increase in value.

Note: the person presenting for recording at the county clerk's office a deed, real estate contract or memorandum of real estate contract documenting a transfer of residential property must also file an affidavit showing the full consideration for the transfer within 30 days of the filing.

• April 1 – Assessor mails to each owner of property that the assessor values the notice of valuation showing classification and net taxable valuation of the property and exemptions granted, with an explanation of protest procedures.
• May 1 – PTD mails notices of valuation to owners of property that PTD values.
• 30 days after mailing of notice of valuation – owner may protest valuation, denial of a claim of exemption or limitation of increase in valuation by filing with the assessor or PTD, as appropriate. This is the more commonly used of two protest options (in part because it's free). Counties and PTD review protests filed; hearings held (by Administrative Hearing Office for state-valued properties and county valuations protest boards for the counties).
• June 1 – PTD certifies to each county assessor the net taxable values of property within the county subject to valuation by PTD.
• June 15 – each county certifies combined (PTD and county- assessed properties) net taxable values to PTD.
• June 30 - PTD compiles for DFA statewide net taxable values, with information on protested values. Data to be used in budget-setting.
• August 1 - PTD presents updated compilation to Secretary of DFA.
• September 1 – DFA sets property tax rates for all entities imposing property tax.
• October 1 – assessor prepares and delivers to the county treasurer the property tax schedule showing net taxable valuation and property tax due for each property in the county.
• November 1 - county treasurer mails tax bills to property owners.
• November 10 - due date for (unprotested) first half of property taxes due.
• December 10 – delinquency date for first half taxes. Penalty and interest begin to run.

Note: county treasurer distributes tax proceeds as received to tax-imposing entities.

• **Year 2**, January 9 – deadline for filing a claim for refund in district court. This is the second protest option. To be eligible, owner must pay at least the first half taxes. This option not available for protesting denial of a claim of limitation on increase in value.
• April 10 – due date for second half of property tax payments.
• May 10 – delinquency date for second half taxes.

•June 30 – county treasurer notifies each owner of property delinquent 30 days or more of the delinquency, the amount due and action that may be taken if amount not paid.

Note: After June 30, county treasurer may take collection actions against the owner of personal property on which property taxes are delinquent, including issuing a demand warrant requiring surrender of personal property for sale at auction.

• **Year 4**, June 10 – county treasurer sends notice to owners of property on which property taxes are delinquent at least two years. Notice includes, for real property, a statement that the account is about to be turned over to PTD.

•July 1 – county treasurer compiles and delivers to PTD a list of all real properties delinquent for at least two years and amounts owed.

Note: PTD has approximately 18 months to collect the tax owed or to sell the property.

Appendix B

Yield Control Basics

"Yield control" is simply a statutory formula that restricts the amount of growth in a jurisdiction's property tax *operating* revenues from one year to the next. See Section 7-37-7.1 NMSA 1978.

It operates by dividing two numbers, A and B.

A =	Last Year's Valuations (= Base)	+ Net New	+ Inflation (up to 5% of Base)

B =	Last year's Valuations (= Base)	+ Net New	+ Valuation Maintenance

= Current Year's Valuations

The ratio of these two numbers is multiplied against last year's tax **rate.** Only three results are possible:

If **A > B**, tax rate ↑ (unless another statutory limit kicks in)

If **A = B**, tax rate stays the same

If **A < B**, tax rate ↓, typically the result in a reappraisal year.

This is also shown by comparing the inflation factor against valuation maintenance (expressed as a percentage of last year's valuations):

If inflation factor % > valuation maintenance %, tax rate ↑

If inflation factor % = valuation maintenance %, tax rate stays the same

If inflation factor % < valuation maintenance %, tax rate ↓

Some notes

The trick to yield control is in distinguishing between two kinds of valuation change. “Net new” basically is new construction—physical additions to the property base—but may also include such items as the value of formerly exempt property returning to the tax schedule. “Valuation maintenance” basically reflects changes in market value of existing properties.

There are basically two types of property tax rate: operating and debt.

Debt: Debt rates are set by dividing the amount of debt service (principal to be repaid plus interest) during the year by the jurisdiction’s total property valuations. There may be constitutional and statutory limits on the total amount of debt a jurisdiction may contract, but, once contracted, the necessary repayment rate is constitutionally protected. For any given amount of debt service, the debt rate will vary inversely with the amount of total valuation in the jurisdiction. In a sense, debt rates by their nature are yield-controlled since a valuation increase due to reappraisal will automatically force a proportionate decrease in the rate.

Operating: Theoretically, operating rates are set by dividing the jurisdiction’s budget by its total property valuation. This normally produces a rate much in excess of the governing body’s authority to levy tax. So, the budget gets trimmed to meet the revenue producible by multiplying the jurisdiction’s valuations by its maximum authorized rate. Without yield control or self-restraint by the governing body, valuation increases due to reappraisals will leave the tax rate as is but instead boost the jurisdiction’s potential budget proportionately. Yield control is designed to make operating rates behave more like debt rates.

The examples assume that the operating tax rate actually imposed is at the maximum imposable by the jurisdiction. This generally is true but some jurisdictions impose lower levels and retain the authority to add previously unimposed rates after yield control has acted on the existing imposed rate.

The state and its local governments usually have constitutional or statutory upper limits on how much property tax rate they may impose. If the operation of yield control would allow a jurisdiction’s rate to rise (as, for example, in a non-reappraisal year), the rate may not go over the other constitutional or statutory limit.