SENATE BILL

51ST LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2014

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO TAXATION; LIMITING INCREASES IN VALUE OF RESIDENTIAL PROPERTY FOR PROPERTY TAXATION PURPOSES; PROVIDING FOR ADDITIONAL LIMITS ON INCREASES IN VALUE OF CERTAIN OWNER-OCCUPIED RESIDENTIAL PROPERTY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-36-21.2 NMSA 1978 (being Laws 2000, Chapter 10, Section 2, as amended) is amended to read:

"7-36-21.2. LIMITATION ON INCREASES IN VALUATION OF RESIDENTIAL PROPERTY.--

A. Residential property shall be valued at its current and correct value in accordance with the provisions of the Property Tax Code; provided that, for the: [~~2001 and subsequent tax years, the value of a property in any tax year shall not exceed the higher of one hundred three percent of the~~

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~~value in the tax year prior to the tax year in which the property is being valued or one hundred six and one-tenth percent of the value in the tax year two years prior to the tax year in which the property is being valued. This~~]

(1) 2015 tax year, the value of a property shall not exceed whichever value is the highest of the following:

(a) one hundred five percent of the value in the tax year prior to the tax year in which the property is being valued;

(b) one hundred ten and twenty-five hundredths percent of the value in the tax year two years prior to the tax year in which the property is being valued; or

(c) seventy percent of the current and correct value of the property determined for property taxation purposes; and

(2) 2016 and subsequent tax years, the value of a property in any tax year shall not exceed whichever value is the highest of the following:

(a) one hundred five percent of the value in the tax year prior to the tax year in which the property is being valued;

(b) one hundred ten and twenty-five hundredths percent of the value in the tax year two years prior to the tax year in which the property is being valued; or

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(c) eighty-five percent of the current and correct value of the property determined for property taxation purposes.

B. The limitation on increases in value provided by Subsection A of this section shall be the highest value and shall not exceed the current and correct value of the property determined for property taxation purposes in accordance with the provisions of the Property Tax Code.

C. In addition to the limitation on increases in value provided by Subsection A of this section, the valuation for property taxation purposes of an owner-occupied dwelling that is the primary residence and has been owned by the same New Mexico resident for:

(1) ten or more years shall not exceed ninety-five percent of the value of the property determined after the application of the limitation provided pursuant to Subsection A of this section; and

(2) twenty or more years, and that person is sixty-five years of age or older, shall not exceed ninety percent of the value of the property determined after the application of the limitation provided pursuant to Subsection A of this section.

D. The limitation on increases in value pursuant to this section does not apply to:

(1) a residential property in the first tax

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year that it is valued for property taxation purposes;

(2) any physical improvements, except for solar energy system installations, made to the property during the year immediately prior to the tax year or omitted in a prior tax year; or

(3) valuation of a residential property in any tax year in which

[~~(a) a change of ownership of the property occurred in the year immediately prior to the tax year for which the value of the property for property taxation purposes is being determined; or~~

~~(b)~~] the use or zoning of the property has changed in the year prior to the tax year.

[~~B. If a change of ownership of residential property occurred in the year immediately prior to the tax year for which the value of the property for property taxation purposes is being determined, the value of the property shall be its current and correct value as determined pursuant to the general valuation provisions of the Property Tax Code.~~

~~C. To assure that the values of residential property for property taxation purposes are at current and correct values in all counties prior to application of the limitation in Subsection A of this section, the department shall determine for the 2000 tax year the sales ratio pursuant to Section 7-36-18 NMSA 1978 or, if a sales ratio cannot be~~

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~~determined pursuant to that section, conduct a sales-ratio analysis using both independent appraisals by the department and sales. If the sales ratio for a county for the 2000 tax year is less than eighty-five, as measured by the median ratio of value for property taxation purposes to sales price or independent appraisal by the department, the county shall not be subject to the limitations of Subsection A of this section and shall conduct a reassessment of residential property in the county so that, by the 2003 tax year, the sales ratio is at least eighty-five. After such reassessment, the limitation on increases in valuation in this section shall apply in those counties in the earlier of the 2004 tax year or the first tax year following the tax year that the county has a sales ratio of eighty-five or higher, as measured by the median ratio of value for property taxation purposes to sales value or independent appraisal by the department. Thereafter, the limitation on increases in valuation of residential property for property taxation purposes in this section shall apply to subsequent tax years in all counties.~~

~~D.~~] E. The provisions of this section do not apply to residential property for any tax year in which the property is subject to the valuation limitation in Section 7-36-21.3 NMSA 1978.

[~~E. As used in this section, "change of ownership" means a transfer to a transferee by a transferor of all or any~~

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~~part of the transferor's legal or equitable ownership interest in residential property except for a transfer:~~

~~(1) to a trustee for the beneficial use of the spouse of the transferor or the surviving spouse of a deceased transferor;~~

~~(2) to the spouse of the transferor that takes effect upon the death of the transferor;~~

~~(3) that creates, transfers or terminates, solely between spouses, any co-owner's interest;~~

~~(4) to a child of the transferor, who occupies the property as that person's principal residence at the time of transfer; provided that the first subsequent tax year in which that person does not qualify for the head of household exemption on that property, a change of ownership shall be deemed to have occurred;~~

~~(5) that confirms or corrects a previous transfer made by a document that was recorded in the real estate records of the county in which the real property is located;~~

~~(6) for the purpose of quieting the title to real property or resolving a disputed location of a real property boundary;~~

~~(7) to a revocable trust by the transferor with the transferor, the transferor's spouse or a child of the transferor as beneficiary; or~~

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~~(8) from a revocable trust described in Paragraph (7) of this subsection back to the settlor or trustor or to the beneficiaries of the trust.~~]

F. As used in this section:

(1) "primary residence" means the domicile where a person resides for more than six months of the year; and

(2) "solar energy system installation" means an installation that is used to provide space heat, hot water or electricity to the property in which it is installed and is:

[~~(1)~~] (a) an installation that uses solar panels that are not also windows;

[~~(2)~~] (b) a dark-colored water tank exposed to sunlight; or

[~~(3)~~] (c) a non-vented trombe wall."

SECTION 2. APPLICABILITY.--The provisions of this act apply to taxable years beginning on or after January 1, 2015.

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