

AN ACT

RELATING TO TAXATION; EXEMPTING THE PERSONAL PROPERTY OF
NONPROFIT MUTUAL DOMESTIC WATER ASSOCIATIONS FROM PROPERTY
TAXATION.

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

Section 1. Section 7-36-28 NMSA 1978 (being Laws 1975,
Chapter 165, Section 9) is amended to read:

"7-36-28. SPECIAL METHOD OF VALUATION--PIPELINES,
TANKS, SALES METERS, PLANTS AND HYDRANTS USED IN THE
TRANSMISSION, STORAGE, MEASUREMENT OR DISTRIBUTION OF WATER.--

A. Except as provided in Subsection F of this
section, all pipelines, tanks, sales meters, plants and
hydrants used in the transmission, storage, measurement or
distribution of water subject to valuation for property
taxation purposes shall be valued in accordance with the
provisions of this section.

B. As used in this section:

(1) "commercial water property" means
privately owned pipelines, tanks, sales meters, plants,
hydrants, materials and supplies, whether in service, in stock
or under construction, owned and operated as a utility for the
purpose of transmitting, storing, measuring or distributing
water for sale to the consuming public, excluding general
buildings and improvements;

(2) "depreciation" means straight line depreciation over the useful life of the item of property;

(3) "general buildings and improvements" means buildings of the nature of offices, residential housing, warehouses, shops and associated improvements in general use by the taxpayer but not directly associated with the transmission, storage, measurement or distribution of water;

(4) "gallons" means the measurement of water sold;

(5) "revenue" means gross utility operating revenue;

(6) "closed system" means a commercial water system in which water is gathered primarily by wells and stored in closed reservoirs and tanks; and

(7) "combination system" means a commercial water system in which water is gathered both in open reservoirs and by wells and is stored both in open reservoirs and closed reservoirs and tanks.

C. The value of commercial water property shall be determined as follows:

(1) a factor of two and forty-nine one hundredths per thousand gallons is to be used for a closed system and three and twenty-five one hundredths is to be used for a combination system;

(2) the department shall determine the type

of system into which the taxpayer's commercial water properties should be categorized;

(3) the department shall then ascertain the number of thousand gallons sold to consumers by the taxpayer during each of the three immediately preceding calendar years and the taxpayer's revenue from the immediately preceding calendar year;

(4) a simple average of the three-year thousand gallon sales shall be computed and compared to the actual thousand gallons sold to consumers during the immediately preceding calendar year. The higher of the average thousand gallons or the immediately preceding year's actual thousand gallons shall be the basis for value calculations;

(5) the thousand gallon figure determined in Paragraph (4) of this subsection shall then be multiplied by the appropriate per thousand gallon factor from Paragraph (1) of this subsection. The result of this calculation is the value of commercial water property for property taxation purposes; and

(6) notwithstanding the calculations provided for above, the value of the taxpayer's commercial water property shall not be greater than four and one-half times the revenue derived during the immediately preceding calendar year from the operation of the commercial water

property.

D. Each item of property having a taxable situs in the state and valued under this section shall have its net taxable value allocated to the governmental units in which the property is located on the basis of the percentage of the taxpayer's total investment in each governmental unit.

E. The department shall adopt regulations to implement the provisions of this section.

F. Commercial water property owned or sold by a nonprofit mutual domestic water association is exempt from valuation for property taxation purposes."

Section 2. APPLICABILITY.--The provisions of this act apply to taxable years beginning on or after January 1, 2010.