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SENATE BILL 46

49TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2010

INTRODUCED BY
Tim Eichenberg

AN ACT

RELATING TO TAXATION; EXTENDING THE THREE PERCENT LIMIT ON ANNUAL VALUATION INCREASES TO RESIDENTIAL PROPERTIES THAT HAVE HAD A CHANGE OF OWNERSHIP IN THE PRIOR TAX YEAR.

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 value in the tax year prior to the tax year in which the

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1 property is being valued or one hundred six and one-tenth
2 percent of the value in the tax year two years prior to the tax
3 year in which the property is being valued. This limitation on
4 increases in value does not apply to:

5 (1) a residential property in the first tax
6 year that it is valued for property taxation purposes;

7 (2) any physical improvements made to the
8 property during the year immediately prior to the tax year or
9 omitted in a prior tax year; or

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

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

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

18 B. If a change of ownership of residential property
19 occurred in the year immediately prior to the tax year for
20 which the value of the property for property taxation purposes
21 is being determined, the value of the property for the current
22 tax year shall be [~~its current and correct value~~] as determined
23 pursuant to [~~the general valuation provisions of the Property~~
24 ~~Tax Code~~] Subsection A of this section. The increase in value
25 for the current tax year and each subsequent tax year shall not

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1 exceed one hundred three percent of the value of the property
2 in the year prior to the year in which the property is being
3 valued or one hundred six and one-tenth percent of the value in
4 the tax year two years prior to the tax year in which the
5 property is being valued.

6 C. To assure that the values of residential
7 property for property taxation purposes are at current and
8 correct values in all counties prior to application of the
9 limitation in Subsection A of this section, the department
10 shall determine for the 2000 tax year the sales ratio pursuant
11 to Section 7-36-18 NMSA 1978 or, if a sales ratio cannot be
12 determined pursuant to that section, conduct a sales-ratio
13 analysis using both independent appraisals by the department
14 and sales. If the sales ratio for a county for the 2000 tax
15 year is less than eighty-five, as measured by the median ratio
16 of value for property taxation purposes to sales price or
17 independent appraisal by the department, the county shall not
18 be subject to the limitations of Subsection A of this section
19 and shall conduct a reassessment of residential property in the
20 county so that by the 2003 tax year, the sales ratio is at
21 least eighty-five. After such reassessment, the limitation on
22 increases in valuation in this section shall apply in those
23 counties in the earlier of the 2004 tax year or the first tax
24 year following the tax year that the county has a sales ratio
25 of eighty-five or higher, as measured by the median ratio of

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1 value for property taxation purposes to sales value or
2 independent appraisal by the department. Thereafter, the
3 limitation on increases in valuation of residential property
4 for property taxation purposes in this section shall apply to
5 subsequent tax years in all counties.

6 D. The provisions of this section do not apply to
7 residential property for any tax year in which the property is
8 subject to the valuation limitation in Section 7-36-21.3 NMSA
9 1978.

10 E. As used in this section, "change of ownership"
11 means a transfer to a transferee by a transferor of all or any
12 part of the transferor's legal or equitable ownership interest
13 in residential property except for a transfer:

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

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

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

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

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1 deemed to have occurred;

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

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

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

12 (8) from a revocable trust described in
13 Paragraph (7) of this subsection back to the settlor or trustor
14 or to the beneficiaries of the trust."

15 Section 2. APPLICABILITY.--The provisions of this act
16 apply to valuation of residential property that changed hands
17 in or after tax year 2009.