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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/10
LAST UPDATED 02/15/10 **HB** 257/aHF1

SPONSOR Tripp

SHORT TITLE Residential Common Area Property Valuations **SB** _____

ANALYST Clifford

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
NFI	Indeterminate	Indeterminate	Recurring	Property Tax Recipients

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of House Floor Amendment

The amendment corrects the reference to present law in the new language.

Synopsis of Bill

House Bill 257 would require that common areas of subdivisions and planned unit developments would not be valued separately from each lot but would be included with the value of each lot served by the common area.

FISCAL IMPLICATIONS

TRD notes that taxable value could increase under the proposal if the common property is currently not taxed because it is owned by a non-profit organization. Since these amounts would most likely be treated as “net new”, they would increase property tax revenue. In some cases the amount could be substantial, as for example in the case of a golf course.

SIGNIFICANT ISSUES:

DFA notes:

The bill allows for the common area to be converted to a different use. Should the common area be converted, the determination of value is made by the department or the county assessor pursuant to subsection A of 7-36-15 NMSA 1978. The common area property improved or unimproved, will be deeded as an undivided interest in each of the units of a unit development or residential subdivision served by the common area. The common area can also be owned by a nonprofit homeowners' association, community association or corporation that can operate to provide management of a common area with rights to use the common area inherited to and passing with the title to each lot of a planned unit or subdivision served by the common area.

The common area definition is not limited the immediate adjacent planned unit development or lots within a subdivision. Therefore if a planned unit development or subdivision project also includes geographic areas that are not conducive to building units or homes, the area could be considered the common area. The common area definition should include specific improvement limits that are related to planned units or residential homes such as parks, walking trails and other similar recreational amenities.

Additionally, if the common area develops into a special district such as Public Improvement District, Tax Increment District or similar district, the bill should reference law or exclude districts from becoming part of this proposal.

Finally, the prospective property owner should be informed of the additional legal responsibilities that go with ownership at closing including the cost associated with common area and potential infrastructure initiatives.

TC/mew