

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/23/11

SPONSOR Lopez LAST UPDATED _____ HB _____

SHORT TITLE Manufactured Home Tax Amnesty Program SB 462

ANALYST Burrows

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$2,000.0	**	Recurring	Bernalillo County
	**	**	Recurring	Other Counties
	(\$2,500.0)	(\$2,500.0)	Recurring	General Obligation Bond Capacity
	***	***	Recurring	Counties/Municipal ities GO Bond Capacity

(Parenthesis () Indicate Revenue Decreases)

*See Fiscal Implications

Duplicates HB602

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Taxation and Revenue (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 462 would allow county treasurers to authorize a 90-day amnesty period to encourage owners of manufactured homes to make payment on delinquent property taxes provided the 90-day amnesty occurs in FY12. The bill would also increase the penalty for unpaid taxes from \$1,000 to \$2,000, and would provide a \$5,000 reduction in assessed value on all manufactured homes.

Because the bill carries emergency language, the provisions of the bill will go into effect at the time of signing.

FISCAL IMPLICATIONS

According to the Bernalillo County Treasurer's Office, approximately 4,000 owners of manufactured homes owe \$2.1 million in property tax payments. It is assumed another 6,000 owners of manufactured homes (or roughly 10 percent of manufactured homeowners in Bernalillo County) are delinquent, but not registered in the property tax system. The analysis assumes homeowners not in the system average three years of delinquent taxes. Assuming an average assessed value of \$35 thousand per home, an additional \$3.2 million per year, or approximately \$10 million over three years, is owed by those homeowners who are not in the system. The fiscal impact assumes roughly 50 percent of those reported in the system and another 10 percent of those not tracked respond to the amnesty.

**Other counties that authorize the amnesty program could experience positive fiscal impacts. The amnesty program could lead to better tax collection of homeowners not currently reported in the system, which could result in additional revenues. The increased penalty could also increase net receipts.

TRD notes that this proposal would reduce assessed value for manufactured housing. According to the U.S. Census Bureau, there are approximately 150,000 manufactured homes in New Mexico. The \$5,000 reduction in assessed value would reduce total net taxable value by \$250 million. State general obligation (GO) bonding capacity would be reduced by 1 percent of this amount or \$2.5 million. The decrease in assessed value could result in an increase in property tax levies for operating budgets or debt service, which would shift the tax obligation from owners of manufactured homes to other homeowners.

***The GO bonding capacity of municipalities and counties could be adversely affected by the decrease in assessed value.

SIGNIFICANT ISSUES

According to the Bernalillo County Treasurer's Office, there are approximately \$2.1 million in Bernalillo County property taxes owed by owners of manufactured homes. These delinquencies carry interest of about \$900 thousand and penalties of \$175 thousand. The Bernalillo County Treasurer's Office expects the 90-day amnesty coupled with the increased penalty would offer incentive to these homeowners to comply with the property tax assessment, which would allow better tracking and future compliance. The \$5,000 reduction in assessed value would reduce the administrative costs of collecting taxes on manufactured homes of lesser value.

DUPLICATION

House Bill 602 duplicates Senate Bill 462

TECHNICAL ISSUES

TRD reports this proposal applies managed audit statutes to the property tax code, which is a departure from prior practice and could create confusion for assessors, treasurers, TRD and taxpayers.

Moreover TRD notes:

- The vehicle for the amnesty described in this legislation is the managed audit statute of the Tax Administration Act. The applicability section of this act (Section 7-1-2 NMSA 1978) doesn't mention property tax. The property tax program is regulated under the Property Tax Code which does not have a Managed Audit Program.
- There are extensive statutes on protesting values and seeking tax refunds in Sections 7-38-21 through 7-38-28 NMSA 1978. There isn't a method in the Property Tax Code to forgive delinquent penalties, interest and base tax. That requires a suit for refund or a court ruling. The mechanism is found in 7-38-40 NMSA 1978.
- The \$5,000 reduction of assessed value for manufactured homes takes effect immediately. Since 2011 property assessments are already being prepared, this could force assessors to revalue all manufactured homes, a time-consuming process that could delay the development of the 2011 property tax certificates.

TRD also expresses concern that Senate Bill 462 will grant county treasurers the authority to assess or reduce property valuation, which would violate Section 7-36-2 NMSA 1978 and Section 7-38-77 NMSA 1978. As written, it appears the bill would only allow county treasurers the authority to declare a period of amnesty; however, this point may need to be clarified.

The bill fails to mention the mechanism whereby delinquent taxpayers would be notified of the amnesty program.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

County treasurers will not be given the authority to declare a 90-day amnesty for payment of delinquent property taxes on manufactured homes. The penalty for failure to pay property tax on manufactured homes would remain at \$1,000. The assessed value of manufactured homes would not be reduced by \$5,000.

LKB/mew

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc