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FISCAL IMPACT REPORT

ORIGINAL DATE 03/09/11

SPONSOR Payne LAST UPDATED _____ HB _____

SHORT TITLE Limit Tax on Real Property, CA SJR 9

ANALYST Golebiewski

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	*	*	Recurring	Property Tax Beneficiaries
	*	*	Recurring	General Obligation Bond Capacity

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

New Mexico Municipal League

Attorney General's Office (AGO)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 9 proposes a constitutional amendment to allow the legislature to provide a limit of no more than 1 percent of the current and correct value of residential property and 1.5 percent of the current and correct value of commercial property on the total annual tax levy upon real property for all purposes.

FISCAL IMPLICATIONS

By itself, this joint resolution has no fiscal impact on the state or on local governments. The constitutional amendment proposed by SJR 9 would become effective upon adoption by the electorate.

TRD:

Potential revenue impacts of the constitutional amendment would vary significantly by

county. The table at the end of this review contains a rough estimate of the ratio of current property tax obligations to total assessed value in each county. Almost all counties are currently below the thresholds proposed in the amendment. However, the estimates do not reflect “current and correct” value because assessed value is currently below current and correct value for a variety of reasons, perhaps most notably the 3 percent limit on annual assessment growth of residential property. Thus, it is not clear whether the proposal would require a reduction of property tax revenue. Since a number of counties are near the maximum tax liability in the amendment, it appears likely that the measure could limit the growth of tax liabilities somewhat in the future.

SIGNIFICANT ISSUES

In a property tax environment characterized by limited growth in assessed valuation, SJR 9 proposes to limit the property tax rate on current and correct property values. This would introduce complexity into the property tax system of New Mexico.

TRD:

The proposal would create a “hard” limit on property tax liability as a function of the current and correct value of property. Present law limits on annual assessed value growth do not necessarily limit tax liabilities because tax rates may adjust upward in response to property assessment limits.

ADMINISTRATIVE IMPLICATIONS

TRD:

Although county assessors are required to have a current and correct value for all properties, the likelihood is that some counties do not have this information. The proposal would increase pressure on the assessors to acquire this information.

TECHNICAL ISSUES

It is unclear how SJR 9 would impact voter-assessed levies. For example, if the sum of the operating levy and any voter-assessed levies exceeds 1 percent of current and correct property value, is that be inconsistent with the intention of SJR 9?

JAG/mew

Senate Joint Resolution 9 – Page 3

2010 Property Tax Obligations ¹ by New Mexico County					
County	Total	Residential	Percent of Assessed Value*	Nonresidential	Percent of Assessed Value*
Bernalillo	555,590,779.1829	385,804,841.3553	1.3%	169,785,937.8276	1.5%
Catron	1,766,200.6841	736,630.5588	0.5%	1,029,570.1253	0.5%
Chaves	27,038,514.0282	12,894,300.7572	0.8%	12,373,126.3059	0.9%
Cibola	8,978,543.3033	2,931,830.5179	0.9%	6,046,712.7854	1.0%
Colfax	13,359,976.2638	7,033,836.2560	0.7%	5,272,891.4819	0.8%
Curry	15,398,040.2792	9,289,876.8310	0.8%	6,108,163.4482	0.8%
De Baca	1,386,127.6468	309,576.9053	0.9%	1,076,550.7414	0.9%
Dona Ana	102,956,073.0951	65,057,178.4046	0.9%	37,898,894.6905	1.0%
Eddy	53,292,881.8440	9,464,564.4505	0.7%	18,921,420.5025	0.7%
Grant	14,122,808.6671	6,006,492.5422	0.5%	5,328,546.2389	0.7%
Guadalupe	3,213,769.8171	741,688.9697	0.9%	2,472,080.8475	1.0%
Harding	1,480,259.3774	77,565.9248	0.6%	948,283.0962	0.7%
Hidalgo	3,147,985.8624	476,804.7773	0.7%	2,671,181.0851	0.7%
Lea	72,394,515.4274	10,167,678.9115	0.9%	19,502,550.5241	1.0%
Lincoln	23,567,603.8854	15,925,426.2905	0.7%	7,642,177.5949	0.9%
Los Alamos	15,322,721.6299	12,882,388.3384	0.7%	2,440,333.2916	0.9%
Luna	10,451,820.1111	4,503,106.5834	0.7%	5,948,713.5277	0.8%
McKinley	24,070,032.9353	7,926,648.3419	1.0%	16,110,414.4329	1.2%
Mora	2,264,957.3286	1,147,755.3990	0.7%	1,117,201.9296	0.7%
Otero	21,858,401.7128	13,993,713.5149	0.8%	7,864,688.1979	0.9%
Quay	3,889,498.1077	1,620,438.6308	0.7%	2,215,198.2114	0.9%
Rio Arriba	39,006,203.1869	7,468,596.9803	0.5%	8,603,889.4604	1.0%
Roosevelt	7,054,273.1237	3,087,388.4270	0.8%	3,736,803.4786	0.7%
San Juan	88,442,940.8430	24,952,748.9565	0.7%	41,472,615.1285	0.8%
San Miguel	13,157,566.4900	7,849,421.9241	0.8%	5,308,144.5658	1.1%
Sandoval	104,140,184.0329	76,410,206.2734	1.0%	27,590,727.6047	1.0%
Santa Fe	146,094,124.6935	99,633,213.4824	0.6%	46,460,911.2111	1.0%
Sierra	6,306,240.9613	3,499,655.6812	0.7%	2,806,585.2801	0.8%
Socorro	6,872,355.4484	3,353,110.3838	0.9%	3,519,245.0646	1.0%
Taos	21,358,292.5063	11,524,528.1803	0.5%	9,833,764.3260	0.6%
Torrance	7,502,565.6931	3,382,679.1915	0.8%	4,119,886.5016	0.7%
Union	2,741,625.9531	555,013.9342	0.6%	1,852,370.3222	0.6%
Valencia	36,711,817.2205	24,074,600.1000	1.0%	12,637,217.1205	1.1%
Total	1,454,939,701.3425	834,783,507.7755	0.9%	500,716,796.9506	1.0%

Information source: compiled from rate certificate files issued by the NM Department of Finance and Administration.

¹The products of rate and net taxable value or revenues assuming 100% collection.

Assessed value estimated as 3 times net taxable value.