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## FISCAL IMPACT REPORT

ORIGINAL DATE 03/04/11

SPONSOR Eichenberg LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Assessment Proportional to Property Value, CA SJR 15

ANALYST Graeser

### ESTIMATED REVENUE IMPACT (dollars in thousands)

Estimated Revenue Impact*					R or NR	Fund(s) Affected
FY2011	FY2012	FY2013	FY2014	FY2015		
--	--	***	***	***	Recurring	Property tax beneficiaries

Parentheses ( ) indicate a revenue loss.

\*\*\*TRD reports that potential fiscal impacts of the proposed amendment are uncertain. If the provisions are interpreted to invalidate the 3 percent annual limit on annual valuation increases, it could lead to either an increase or decrease in residential values depending on the legislation that is adopted to implement the amendment.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$104.0		\$104.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Attorney General's Office (AGO)

Secretary of State (SOS)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Joint Resolution 15 proposes to amend the State Constitution to provide that property *assessments*, rather than *taxes levied* be in proportion to the value of the property. The proposed amendment follows the phrase, "Except as provided in Subsection B of this section," so does not directly contradict the permission in Article 8, Section 1 (B) to limit annual increases of residential property based on owner-occupancy, age or income.

## **Senate Joint Resolution 15 – Page 2**

The resolution proposes to amend Article 8, Section 1 of the New Mexico Constitution for consideration “at the next general election or at any special election prior to that date that may be called for the purpose of voting on the proposed amendment.”

### **FISCAL IMPLICATIONS**

The SOS notes that, “...in accordance with Section 1-16-4 NMSA 1978, upon receipt of the certified proposed constitutional amendment or other question from the Secretary of State, the county clerk shall include it in the proclamation to be issued and shall publish the full text of each proposed Constitutional amendment or other question in accordance with the constitution of New Mexico.”

“Although the county clerk includes the proposed amendments in his/her proclamation, it is the responsibility of the State to pay for the costs associated with the publication per Section 1-16-11 NMSA 1978. The approximate cost per constitutional amendment is \$104,000.”

“If the requisite number of registered qualified electors is confirmed, the question of recall of the official shall be placed for a special election to be called within ninety days of completion or the next occurring general election. The approximate cost for a statewide special election will be \$1,675,541.55; the approximate cost for an all mail-in ballot election will be \$1,968,179.31.”

Only the specific additional cost for advertising the constitutional amendment is included in the operating budget table above, assuming that the question is presented to the voters at the next general election, not at a special election called for the specific issue.

### **SIGNIFICANT ISSUES**

TRD reports that the proposed change may be targeted at the problem of “tax lightning” by proscribing disproportionate assessments. It also establishes disproportionate assessment as grounds for a valuation protest as it is in several states.

### **TECHNICAL ISSUES**

TRD reports that this resolution appears to create a conflict within the Constitution because the 1998 amendments in paragraph B of Article 8, Section 1 authorized the Legislature to limit value increases for certain classes of residential property.

### **CONFLICTS, COMPANIONS, DUPLICATES**

SJR 9 proposes to amend the constitution to limit the total annual tax levy on real property to no more than one percent of the current and correct value for residential property and no more than one and one-half percent of the current and correct value for commercial property.

SJR 13 proposes to amend the constitution to reduce the amount of state and local taxes levied upon owner-occupied residential properties that have been occupied as an individual’s principal residence continuously for at least 15 years.

HJR 13 and HJR 14 propose to amend the constitution to exempt certain persons from property taxes altogether.

### **Senate Joint Resolution 15 – Page 3**

HJR 17 proposes to amend the constitution to require legislative approval before any new tax or increase in taxes is implemented.

HB 327 proposes to amend the present statute dealing with the *valuation* of real property for property tax purposes.

### **ADMINISTRATIVE IMPLICATIONS**

TRD reports that this proposal could require a major administrative effort by county assessors and the property tax division of the Department. If the proposal is interpreted to override the annual valuation limit for residential property, then large numbers of residential properties will have to be re-valued. By introducing the requirement that all properties within a class be assessed equally the proposal could lead to a round of litigation and greater protest board responsibilities. Total anticipated cost to accommodate this change at the property tax division is estimated at \$150,000.

TRD further notes that, "...if adopted, this constitutional amendment will almost certainly result in increased demands on county assessors. It is difficult to predict the outcome of incorporating this requirement because of the offsetting demands of existing statutes. Proportional assessment could be interpreted as current and correct values, in which case, the annual 3 percent residential cap would have to be modified. It could be interpreted to mean that assessments should track a statistical measure like the presales assessment ratio in the annual sales ratio report. Sometimes proportional assessment is thought to be consistency within classes of property; sometimes it is considered uniformity between classes of property."

LG/svb