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HOUSE BILL 451

**50TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2011**

INTRODUCED BY

Terry H. McMillan

AN ACT

RELATING TO TAXATION; EXTENDING THE THREE PERCENT LIMIT ON ANNUAL VALUATION INCREASES TO RESIDENTIAL PROPERTIES REGARDLESS OF WHETHER A CHANGE IN OWNERSHIP OCCURRED IN THE PRIOR TAX YEAR; AUTHORIZING A ONE-TIME INCREASE OF UP TO FIVE PERCENT IN RESIDENTIAL PROPERTY VALUE FOLLOWING THE YEAR THE PROPERTY HAD A CHANGE OF OWNERSHIP BEGINNING IN 2003; DECLARING AN EMERGENCY.

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. Except as required in this section, residential property shall be valued at its current and correct value in

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1 accordance with the provisions of the Property Tax Code;  
2 provided that for the [~~2001~~] 2011 and subsequent tax years, the  
3 value of [~~a~~] property in any tax year shall not exceed the  
4 higher of one hundred three percent of the value in the tax  
5 year prior to the tax year in which the property is being  
6 valued or one hundred six and one-tenth percent of the value in  
7 the tax year two years prior to the tax year in which the  
8 property is being valued. This limitation on increases in  
9 value does not apply to:

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

12 (2) any physical improvements, except for  
13 solar energy system installations, made to the property during  
14 the year immediately prior to the tax year or omitted in a  
15 prior tax year; or

16 (3) valuation of a residential property in any  
17 tax year in which

18 [~~(a) a change of ownership of the~~  
19 ~~property occurred in the year immediately prior to the tax year~~  
20 ~~for which the value of the property for property taxation~~  
21 ~~purposes is being determined; or~~

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

24 [~~B. If a change of ownership of residential~~  
25 ~~property occurred in the year immediately prior to the tax year~~

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1 ~~for which the value of the property for property taxation~~  
2 ~~purposes is being determined, the value of the property shall~~  
3 ~~be its current and correct value as determined pursuant to the~~  
4 ~~general valuation provisions of the Property Tax Code.]~~

5 B. In 2011, all residential property that had a  
6 change of ownership in or after the 2003 tax year and before  
7 the 2011 tax year shall be valued at the value of the property  
8 in the year immediately preceding the most recent tax year in  
9 which a change of ownership occurred, and that value shall be  
10 increased by no more than three percent for each year following  
11 the transfer through the 2010 tax year; provided that, for the  
12 first year following the transfer, an assessor may raise the  
13 value of the property to an amount not to exceed one hundred  
14 five percent of the value in the year of the transfer; and  
15 provided further that the value of the property for the 2011  
16 tax year shall not exceed its current and correct value.

17 C. To assure that the values of residential  
18 property for property taxation purposes are at current and  
19 correct values in all counties prior to application of the  
20 limitation in Subsection A of this section, the department  
21 shall determine for the 2000 tax year the sales ratio pursuant  
22 to Section 7-36-18 NMSA 1978 or, if a sales ratio cannot be  
23 determined pursuant to that section, conduct a sales-ratio  
24 analysis using both independent appraisals by the department  
25 and sales. If the sales ratio for a county for the 2000 tax

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1 year is less than eighty-five, as measured by the median ratio  
2 of value for property taxation purposes to sales price or  
3 independent appraisal by the department, the county shall not  
4 be subject to the limitations of Subsection A of this section  
5 and shall conduct a reassessment of residential property in the  
6 county so that by the 2003 tax year, the sales ratio is at  
7 least eighty-five. After such reassessment, the limitation on  
8 increases in valuation in this section shall apply in those  
9 counties in the earlier of the 2004 tax year or the first tax  
10 year following the tax year that the county has a sales ratio  
11 of eighty-five or higher, as measured by the median ratio of  
12 value for property taxation purposes to sales value or  
13 independent appraisal by the department. Thereafter, the  
14 limitation on increases in valuation of residential property  
15 for property taxation purposes in this section shall apply to  
16 subsequent tax years in all counties.

17 D. The provisions of this section do not apply to  
18 residential property for any tax year in which the property is  
19 subject to the valuation limitation in Section 7-36-21.3 NMSA  
20 1978.

21 E. As used in this section:

22 (1) "change of ownership" means a transfer to  
23 a transferee by a transferor of all or any part of the  
24 transferor's legal or equitable ownership interest in  
25 residential property except for a transfer:

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1                    [~~1~~] (a) to a trustee for the  
2 beneficial use of the spouse of the transferor or the surviving  
3 spouse of a deceased transferor;

4                    [~~2~~] (b) to the spouse of the  
5 transferor that takes effect upon the death of the transferor;

6                    [~~3~~] (c) that creates, transfers or  
7 terminates, solely between spouses, any co-owner's interest;

8                    [~~4~~] (d) to a child of the transferor,  
9 who occupies the property as that person's principal residence  
10 at the time of transfer; provided that the first subsequent tax  
11 year in which that person does not qualify for the head of  
12 household exemption on that property, a change of ownership  
13 shall be deemed to have occurred;

14                    [~~5~~] (e) that confirms or corrects a  
15 previous transfer made by a document that was recorded in the  
16 real estate records of the county in which the real property is  
17 located;

18                    [~~6~~] (f) for the purpose of quieting  
19 the title to real property or resolving a disputed location of  
20 a real property boundary;

21                    [~~7~~] (g) to a revocable trust by the  
22 transferor with the transferor, the transferor's spouse or a  
23 child of the transferor as beneficiary; or

24                    [~~8~~] (h) from a revocable trust  
25 described in [~~Paragraph (7)~~] Subparagraph (g) of this

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