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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/12

SPONSOR HTRC LAST UPDATED _____ HB 102/HTRCS

SHORT TITLE Estimate Property Tax in Valuation Notices SB _____

ANALYST Daly

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY12	FY13	FY14	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	NFI	NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Taxation & Revenue Department (TRD)
New Mexico Association of Counties (NMAC)

Note: References to the comments from the Association of Counties are from its response on the original bill and are included to the extent those comments remain relevant.

SUMMARY

Synopsis of Bill

The House Taxation and Revenue Committee substitute for House Bill 102 requires each county assessor include additional information to every property owner on the assessor's annual notice of valuation (NOV). That information includes:

- The tax rate for the previous year;
- The amount of tax from the previous tax year; and
- The taxable value for both the previous and current tax year.

In addition, NOVs for residential property must include instructions for calculating an estimated tax for the current year, which is to be predominantly displayed on the front of the NOV, along with a disclaimer that that the property tax so calculated may be higher or lower than that actually imposed.

The effective date of this bill, if enacted, is July 1, 2012.

FISCAL IMPLICATIONS

The TRD advises that there would be no adverse financial implications for it, or on revenues. It calls attention, however, to the impact on the counties, as changes in printing arrangements and software modifications could cost \$5,000 per county.

SIGNIFICANT ISSUES

By requiring inclusion of information necessary to and instructions on how to calculate current year property taxes on a notice of valuation for residential property, this substitute bill may aid the homeowner (or other owner) in preparing to meet the owner's obligation to pay those taxes when due.

However, the TRD continues to express concern that, even with a disclaimer as to any estimated tax that may be calculated, it is incorrect to reference an obligation without providing instructions on how to discharge that obligation. Payment instructions will appear on the tax bill itself, not the NOV.

Additionally, the Association of Counties raises these concerns: county assessors anticipate confusion, even with a clear and precise disclaimer, given their experiences with homeowners who attempt to pay property taxes upon receipt of the NOV (which currently makes no reference to current year taxes) even though it clearly states it is not a tax bill. Additionally, a taxpayer attempting to calculate current year property taxes would be unable to predict voter-approved debt service, which could produce a substantially higher mill rate than that used to calculate the estimate.

Similarly, the TRD warns that, although the additional information to be provided in the NOV in the substitute bill might make an estimate calculated per the instructions look more credible because it is being contrasted with a notice of valuation and tax rates that already have been set:

Remember, the notice of valuation is mailed in April and the millage rates (property tax rates) aren't calculated until September of that year. The Department believes it would be wrong and misleading to create the illusion of precise tax estimate (based on calculations done pursuant to the instructions) when certifications or rates for the applicable tax year aren't yet available.

PERFORMANCE IMPLICATIONS

The TRD points out this bill increases the burden on county assessors, particularly as to assessors in smaller counties who lack the benefit of sophisticated computer assisted mass appraisal systems. Those assessors likely would seek extensions for mailing NOVs past the April 1 deadline, which would push back the assessment calendar.

ADMINISTRATIVE IMPLICATIONS

The state standard form will need to be redesigned to accommodate the new information, the instructions for calculation and the disclaimer.

TECHNICAL ISSUES

Inclusion of “estimated” before “property tax” in the disclaimer at page 3, line 4 may further clarify the nature of any tax amount that is calculated.

MD/svb