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### FISCAL IMPACT REPORT

SPONSOR:	Russell	DATE TYPED:	01/28/00	HB	63
SHORT TITLE:	Property Tax Debt Rates			SB	
				ANALYST:	Williams

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
		See Text		

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

### SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

Department of Finance and Administration (DFA)

## **SUMMARY**

### Synopsis of Bill

Endorsed by the Revenue Stabilization and Tax Policy Committee. This bill would require separate property tax rates for operating and debt service and requires the appropriate use of funds according to the type of tax rate. Effectively, this bill would not permit local governments to switch a general operating levy to pay debt service on general obligation bonds. The bill would require the established debt levy to be sufficient to meet debt service requirements to prohibit local governments from over taxing property owners. Also prohibits local governments from establishing an artificially high operating levy with the intent of using the operating revenue to pay debt service. Effective date would be 90 days following close of the session and would first apply to tax levies issued in November 2000.

### Significant Issues

By switching components of levies from one category to another, local governments can avoid yield control limits. According to DFA, Bernalillo County is the only local government that sets a zero debt service levy and increases the operating levy by the same amount, then wipes out the debt service cash balance to pay debt service payments in order to increase revenue in the general fund.

## **FISCAL IMPLICATIONS**

According to the Taxation and Revenue Department, no direct fiscal impact on state government. Potential effects on local governments are discussed in attached their fiscal impact report. According to DFA, over a four year period, Bernalillo County taxpayers paid approximately \$14,000.0 more in property taxes due to this type of swap arrangement.

**ADMINISTRATIVE IMPLICATIONS**

None for the Taxation and Revenue Department.

AW/njw