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HOUSE BILL 623

45TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2001

INTRODUCED BY

Ben Lujan

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO PROPERTY TAXATION; CONFORMING THE TERMS OF CERTAIN VALUATION INCREASE LIMITATIONS FOR RESIDENTIAL PROPERTY; PROVIDING FOR AN ANNUAL INFLATION ADJUSTMENT OF THE INCOME QUALIFICATION FOR THE LIMITATION ON INCREASES IN VALUATION OF CERTAIN RESIDENTIAL PROPERTY OF PERSONS SIXTY-FIVE YEARS OF AGE OR OLDER; PROVIDING FOR CURRENT AND CORRECT VALUATION OF RESIDENTIAL PROPERTY IN CERTAIN COUNTIES; AMENDING SECTIONS OF THE PROPERTY TAX CODE; 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) is amended to read:

"7-36-21.2. LIMITATION ON INCREASES IN VALUATION OF RESIDENTIAL PROPERTY. --

A. Residential property shall be valued at its

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

14 (3) valuation of a residential property in
15 any tax year in which:

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

20 (b) the use or zoning of the property
21 has changed in the year prior to the tax year.

22 B. If a change of ownership of residential
23 property occurred in the year immediately prior to the tax
24 year for which the value of the property for property taxation
25 purposes is being determined, the value of the property shall

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1 be its current and correct value as determined pursuant to the
2 general valuation provisions of the Property Tax Code.

3 C. To assure that the values of residential
4 property for property taxation purposes are at current and
5 correct values in all counties prior to application of the
6 limitation in Subsection A of this section, [~~a county for
7 which a sales ratio may be determined pursuant to Section
8 7-36-18 NMSA 1978 shall not be subject to the limitations of
9 Subsection A of this section if the sales ratio for that
10 county for the 2000 tax year is less than eighty-five, as
11 measured by the median ratio of value for property taxation
12 purposes to sales price. Such a county shall conduct a
13 reassessment of residential property in the county and may
14 increase valuations for property taxation purposes, as
15 necessary to meet the current and correct valuation
16 requirement, in amounts that do not increase in any tax year
17 more than the sum of three percent of the prior year value of
18 residential property in the county plus the net new value of
19 residential property and do not increase the value of a
20 residential property in any tax year more than the sum of five
21 percent of the prior year value of that property plus any
22 applicable net new value. Such reassessment shall continue
23 until the tax year following the first tax year in which the
24 sales ratio for the county is eighty-five or greater] the
25 department shall determine for the 2000 tax year the sales~~

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1 ratio pursuant to Section 7-36-18 NMSA 1978 or, if a sales
2 ratio cannot be determined pursuant to that section, conduct a
3 sales-ratio analysis using both independent appraisals by the
4 department and sales. If the sales ratio for a county for the
5 2000 tax year is less than eighty, as measured by the median
6 ratio of value for property taxation purposes to sales price
7 or independent appraisal by the department, the county shall
8 not be subject to the limitations of Subsection A of this
9 section and shall conduct a reassessment of residential
10 property in the county so that by the 2005 tax year, the sales
11 ratio is at least eighty. After such reassessment, the
12 limitation on increases in valuation in this section shall
13 apply in those counties in the earlier of the 2006 tax year or
14 the first tax year following the tax year that the county has
15 a sales ratio of eighty or higher, as measured by the median
16 ratio of value for property taxation purposes to sales value
17 or independent appraisal by the department. Thereafter, the
18 limitation on increases in valuation of residential property
19 for property taxation purposes in this section shall apply to
20 subsequent tax years in all counties.

21 D. The provisions of this section do not apply to
22 residential property for any tax year in which the property is
23 subject to the valuation limitation in Section 7-36-21.3 NMSA
24 1978.

25 [~~D.~~] E. As used in this section:

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

5 (a) to a trustee for the beneficial use
6 of the spouse of the transferor or the surviving spouse of a
7 deceased transferor;

8 (b) to the spouse of the transferor
9 that takes effect upon the death of the transferor;

10 (c) that creates, transfers or
11 terminates, solely between spouses, any co-owner's interest;

12 (d) to a child of the transferor, who
13 occupies the property as his principal residence at the time
14 of transfer; provided that the first subsequent tax year in
15 which that person does not qualify for the head of household
16 exemption on that property, a change of ownership shall be
17 deemed to have occurred;

18 (e) that confirms or corrects a
19 previous transfer made by a document that was recorded in the
20 real estate records of the county in which the real property
21 is located;

22 (f) for the purpose of quieting the
23 title to real property or resolving a disputed location of a
24 real property boundary;

25 (g) to a revocable trust by the

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1 transferor with the transferor, the transferor's spouse or a
2 child of the transferor as beneficiary; or

3 (h) from a revocable trust described in
4 Subparagraph (g) of this ~~[subsection]~~ paragraph back to the
5 settlor or trustor or to the beneficiaries of the trust;

6 (2) "net new value" means "net new value" as
7 defined in Section 7-37-7.1 NMSA 1978; and

8 (3) "prior year value" means the value for
9 property taxation purposes of residential property subject to
10 valuation under the Property Tax Code in the prior tax year."

11 Section 2. Section 7-36-21.3 NMSA 1978 (being Laws 2000,
12 Chapter 21, Section 1) is amended to read:

13 "7-36-21.3. LIMITATION ON INCREASE IN VALUE FOR SINGLE-
14 FAMILY DWELLINGS OCCUPIED BY OWNER SIXTY-FIVE YEARS OF AGE OR
15 OLDER. --

16 A. For the 2001 and subsequent tax years the
17 valuation for property taxation purposes of a single-family
18 dwelling owned and occupied by a person who is sixty-five
19 years of age or older and whose modified gross income, as
20 defined in the Income Tax Act, for the prior taxable year did
21 not exceed the greater of eighteen thousand dollars (\$18,000)
22 or the amount calculated pursuant to Subsection C of this
23 section shall not be greater than the valuation of the
24 property for property taxation purposes in the:

25 (1) 2001 tax year; [or]

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1 (2) ~~[the]~~ year in which the owner has his
2 sixty-fifth birthday, if that is after 2001; or

3 (3) tax year following the tax year in which
4 an owner who turns sixty-five or is sixty-five years of age or
5 older first owns and occupies the property, if that is after
6 2001.

7 B. The limitation of value specified in Subsection
8 A of this section shall be applied in a tax year in which the
9 owner claiming entitlement files with the county assessor an
10 application for the limitation on a form furnished to him by
11 the assessor ~~[at the time notices of valuation are sent out by~~
12 ~~the assessor pursuant to Section 7-38-20 NMSA 1978]~~. The
13 application form shall be designed by the department and shall
14 provide for proof of age, occupancy and income eligibility for
15 the tax year for which application is made.

16 C. For the 2002 tax year and each subsequent tax
17 year the maximum amount of modified gross income in Subsection
18 A of this section shall be adjusted to account for inflation.
19 The department shall make the adjustment by multiplying the
20 maximum amount for tax year 2000 by a fraction, the numerator
21 of which is the consumer price index ending during the prior
22 tax year and the denominator of which is the consumer price
23 index ending in tax year 2000. The result of the
24 multiplication shall be rounded down to the nearest one
25 hundred dollars (\$100) except that if the result would be an

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1 amount less than the corresponding amount for the preceding
2 tax year, then no adjustment shall be made. For purposes of
3 this subsection, "consumer price index" means the average of
4 the consumer price index for all urban consumers published by
5 the United States department of labor for the four quarterly
6 periods ending September 30 of the tax year. The department
7 shall publish annually the amount determined by the
8 calculation and distribute it to each county assessor no later
9 than December 1 of each tax year.

10 D. The limitation of value specified in Subsection
11 A of this section does not apply to:

12 (1) a change in valuation resulting from any
13 physical improvements made to the property during the year
14 immediately prior to the tax year or a change in the permitted
15 use or zoning of the property during the year immediately
16 prior to the tax year; or

17 (2) a residential property in the first tax
18 year that is valued for property taxation purposes."

19 Section 3. Section 7-38-18 NMSA 1978 (being Laws 1973,
20 Chapter 258, Section 58, as amended by Laws 2000, Chapter 92,
21 Section 4 and also by Laws 2000, Chapter 94, Section 4) is
22 amended to read:

23 "7-38-18. PUBLICATION OF NOTICE OF CERTAIN PROVISIONS
24 RELATING TO REPORTING PROPERTY FOR VALUATION AND CLAIMING OF
25 EXEMPTIONS. --

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1 A. Each county assessor shall have a notice
2 published in a newspaper of general circulation within the
3 county at least once a week during the first three full weeks
4 in January of each tax year, which notice shall include a
5 brief statement of the provisions of:

6 (1) Section 7-38-8 NMSA 1978 relating to
7 requirements for reporting property for valuation for property
8 taxation purposes;

9 (2) Section 7-38-8.1 NMSA 1978 relating to
10 requirements for reporting exempt property;

11 (3) Section 7-38-13 NMSA 1978 relating to
12 ~~[requirements for reporting improvements to real property and~~
13 ~~to]~~ filing statements of decrease in value of property;

14 (4) Section 7-38-17 NMSA 1978 relating to
15 requirements for claiming veteran, disabled veteran, head-of-
16 family and other exemptions; ~~[and]~~

17 (5) Section 7-38-17.1 NMSA 1978 relating to
18 the requirements for declaring residential property and
19 changes in use of property; and

20 (6) Section 7-36-21.3 NMSA 1978 relating to
21 requirements for claiming eligibility for the limitation on
22 increases in valuation for property taxation purposes of a
23 single-family dwelling owned and occupied by a person who is
24 sixty-five years of age or older.

25 B. The department shall develop and issue a

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1 uniform form of notice to be used by county assessors to
2 fulfill the requirements of this section. "

3 Section 4. Section 7-38-20 NMSA 1978 (being Laws 1973,
4 Chapter 258, Section 60, as amended) is amended to read:

5 "7-38-20. COUNTY ASSESSOR AND DEPARTMENT TO MAIL NOTICES
6 OF VALUATION. --

7 A. By April 1 of each year, the county assessor
8 shall mail a notice to each property owner informing him of
9 the net taxable value of his property that has been valued for
10 property taxation purposes by the assessor.

11 B. By May 1 of each year, the department shall
12 mail a notice to each property owner informing him of the net
13 taxable value of his property that has been valued for
14 property taxation purposes by the department.

15 C. Failure to receive the notice required by this
16 section does not invalidate the value set on the property, any
17 property tax based on that value or any subsequent procedure
18 or proceeding instituted for the collection of the tax.

19 D. The notice required by this section shall
20 state:

- 21 (1) the property owner's name and address;
22 (2) the description or identification of the
23 property valued;
24 (3) the classification of the property
25 valued;

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1 (4) the value set on the property for
2 property taxation purposes;
3 (5) the tax ratio;
4 (6) the taxable value of the property;
5 (7) the amount of any exemptions allowed and
6 a statement of the net taxable value of the property after
7 deducting the exemptions;

8 (8) the allocations of net taxable values to
9 the governmental units; [~~and~~]

10 (9) briefly, the eligibility requirements and
11 application procedures and deadline for claiming eligibility
12 for a limitation on increases in the valuation for property
13 taxation purposes of a single-family dwelling owned and
14 occupied by a person sixty-five years of age or older; and

15 [~~(9)~~] (10) briefly, the procedures for
16 protesting the value determined for property taxation
17 purposes, classification, allocation of values to governmental
18 units or denial of a claim for an exemption or for the
19 limitation on increases in valuation for property taxation
20 purposes.

21 E. The county assessor may mail the valuation
22 notice required pursuant to Subsection A of this section to
23 taxpayers with the preceding tax year's property tax bills if
24 the net taxable value of the property has not changed since
25 the preceding taxable year. In this early mailing, the county

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1 assessor shall provide clear notice to the taxpayer that the
2 valuation notice is for the succeeding tax year and that the
3 deadlines for protest of the value or classification of the
4 property apply to this mailing date. "

5 Section 5. TEMPORARY PROVISION--APPLICATION DEADLINE
6 EXTENDED FOR CLAIMING ENTITLEMENT TO PROPERTY VALUATION
7 INCREASE LIMITATION.--Notwithstanding any provision of the
8 Property Tax Code to the contrary, the deadline shall be
9 extended to May 1, 2001 for making application to the county
10 assessor to claim entitlement to the limitation on increases
11 in valuation for single family dwellings owned and occupied by
12 certain persons sixty-five years of age or older pursuant to
13 Section 7-36-21.3 NMSA 1978 for the 2001 property tax year.
14 County assessors shall adjust, as necessary, the valuation for
15 property taxation purposes of the 2001 property tax year of
16 single family dwellings owned and occupied by applicants who
17 file a timely application and meet the requirements of Section
18 7-36-21.3 NMSA 1978.

19 Section 6. APPLICABILITY.--The provisions of this act
20 apply to property tax year 2001 and succeeding tax years.

21 Section 7. EMERGENCY.--It is necessary for the public
22 peace, health and safety that this act take effect
23 immediately.