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FISCAL IMPACT REPORT

SPONSOR:	Lujan	DATE TYPED:	02/22/01	HB	623/aHFL #1 & #2
SHORT TITLE:	Amend Property Tax Code			SB	
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	**FY02**			
	NFI			

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)
State Agency in Aging

SUMMARY

Synopsis of House Floor Amendments (1 & 2)

House Floor Amendment No. 1 adds language that does not permit the limitation on residential property tax increases to improvements that were omitted in the assessments of property in prior tax years.

House Floor Amendment No. 1 also strikes language that allows for adjustment of the gross income limitation of 18,000 based on Consumer Price Index for All Urban Consumers (CPI-U) quarterly averages ending with June 30 for those persons who attain 65 years of age. The amendment simply states that the CPI-U adjustment will be determined by comparing the year over year change of the CPI-U at September 30 (as opposed to a quarterly moving average). The moving average could harm persons close to the limitation of $18,000 in a volatile inflationary environment.

House Floor amendment No. 2 changes the assessment ratios from 80 percent to 85 percent and gives counties until 2003 instead of 2005 to reassess properties to be allowed the provisions of the limitation in 7-36-21.2.

Synopsis of Original Bill

This bill amends statutes related to the limitation on increases in valuation of residential property.

Counties where median sales assessment ratios are under 80 percent (current law has the cut-off at 85 percent) in the 2000 tax year must re-assess until they reach sales ratios of at least 80 percent by tax year 2005.

In counties where insufficient data exists to determine a sales/assessment ratio, the Taxation and Revenue Department (TRD) must determine a ratio based on appraisals or an adequate sample thereof.

This bill also indexes the Modified Gross Income (MGI) cap used in qualifying elderly low-income owners of single-family residential for the zero percent valuation increase limitation by consumer price index for urban consumers. This bill also clarifies that new improvements to properties by individuals subject to the elderly low-income value limitation are not subject to the limitation.

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) report that this bill does not have a significant impact on state or local revenues.

The number of counties in which TRD would assess properties to determine sales/assessment ratios would depend on an adequate sample size. According to TRD, six counties would require TRD assessment on the basis of figures shown in Attachment A.

Five counties: Cibola, Hidalgo, Quay, Rio Arriba and Socorro would not qualify for the 3 percent limitation and be required to continue reassessing until their median ratio of sales price to assessed value reached at least 80 percent.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department (TRD) report that significant costs to the Department would probably result from having to appraise counties where insufficient sales data exists to determine sales/assessment ratios.

TECHNICAL ISSUES

The monthly consumer price index published by the Department of Labor is cumulative, measuring inflation occurring between the month in question and the base year period.

The Taxation and Revenue Department recommend that rather than specifying the average change in the consumer price index for four successive quarters, as is done in this bill, an easier method of accomplishing the same task would be to simply specify the ratio of the consumer price index in June of 2000 to the consumer price index in June of each successive year.

OTHER SUBSTANTIVE ISSUES

This bill would generally improve equity associated with New Mexico's property tax system by allowing improved uniformity in assessment among counties where sales/assessment ratios are currently low.

Indexing the MGI figures would prevent inflation from causing some low-income taxpayers to fail to qualify for the valuation freeze.

Under the proposed and current statute if a county did not reassess and, as a result, the county average sales/assessment ratio fell below the 80 percent mark, no legal mechanism exists that would require assessments to return to 80 percent.

JBE/prr
Attachment