

New Mexico Property Tax Overview

Presented to the
Revenue Stabilization and Tax Policy Committee

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Stephanie Schardin Clarke, Cabinet Secretary

Ira Pearson, Property Tax Division Director

Outline

- Property Tax Division and Code Overview
- National Property Tax Comparison
- Policy Considerations

Property Tax Division and Code Overview

Property Tax Division Has Three Bureaus

- Appraisal Bureau:
 - Provides technical assistance to county assessors and appraiser certification training
 - Performs and reviews appraisals as requested by New Mexico public entities
 - Provides a member for each county's valuation protest board
 - Performs annual county assessor performance evaluations
- State Assessed Bureau:
 - Assesses valuation of certain non-residential properties for ad valorem tax purposes
 - In 2024, 531 centrally assessed properties totaled \$32 billion in valuation, representing 17% of the Statewide tax base - second largest assessor behind Bernalillo County
 - Properties assessed include railroads, telecom, pipelines, utilities, airlines, electric generation, mineral properties, and multi-county construction
- Delinquent Bureau:
 - Collect property taxes reported by county treasurers that are delinquent after three full years
 - Notify delinquent taxpayers about payment options and planned delinquent auctions
 - Statute requires an auction in each county each calendar year
 - Distribute past-due taxes, penalties, interest to taxing entities

Property Tax Code Overview

- Chapters 7 (Taxation), Articles 35 through 38 are the Property Tax Code
- Property tax is imposed on real property
 - Tangible personal property including livestock, manufactured homes and certain personal property used for business are exempt; certain oil and gas production equipment is subject to a separate oil and gas production equipment ad valorem tax.
- County assessors value non-residential and residential property, payments are made to county treasurers
- Property Tax Division may suspend county assessors for non-performance
- DFA may suspend county treasurers for non-performance
- Provides accepted methods of valuation – generally the market value based on sales of comparable properties, income or cost methods.
 - Special valuation methods for certain minerals, manufactured homes, industrial assets, agriculture, livestock
- Residential assessments may not rise more than 3% per year unless the property changes ownership, is improved, or re-zoned
- Properties are valued as of January 1 - situs date. Changes after that date cannot be reflected in value until the following January 1
- Taxable value of a property is 33 1/3% of assessed value
- Assessed values can be protested to county protest board, if county assessed, or to Administrative Hearings Office if centrally assessed by PTD. Or, by paying and then filing a refund claim in district court
- Yield control adjusts tax rates as the tax base changes to stabilize taxes paid and revenues received

Property Tax Rates Subject to Yield Control Statute (Section 7-37-7.1 NMSA 1978)

State

- State Operation – 4 mill maximum (7-37-7A)

County

- County Operation – 11.85 mill maximum (Section 7-37-7A)
- County Hospitals – operating and maintaining – 6.50 mill maximum – includes UNM Hospital (Sec 4-48B-12)
- County Hospitals – 4.25 to 6.50 mill depending on county class (Sec 4-48-15)
- County Flood Control – 1.5 mill maximum (Sec 4-59-2)
- Small Counties Assistance – 8.85 mill maximum (Sec 4-61-2)
- County Boards of Horticultural Commissioners (Sec 76-3-2)
- Southern Sandoval County Flood Control (Sec 7-19-22)
- Low-Income Property Tax Rebate – County Option – 1 mill maximum (Sec 7-2-14.5)

Municipal

- Municipal Operation – 7.65 mill maximum (Section 7-37-7A)
- Municipal Flood Control – 5 mill maximum (Sec 3-41-2)
- Municipal Parking District – 6 mill maximum (Sec 3-51-14)

Public School

- School District Operation – .5 mill maximum (Section 7-37-7A)
- Public School Capital Improvements – 2 mill maximum (Sec 22-25-7)
- Public School Buildings – 10 mill maximum (Sec 22-26-7)

Higher Education

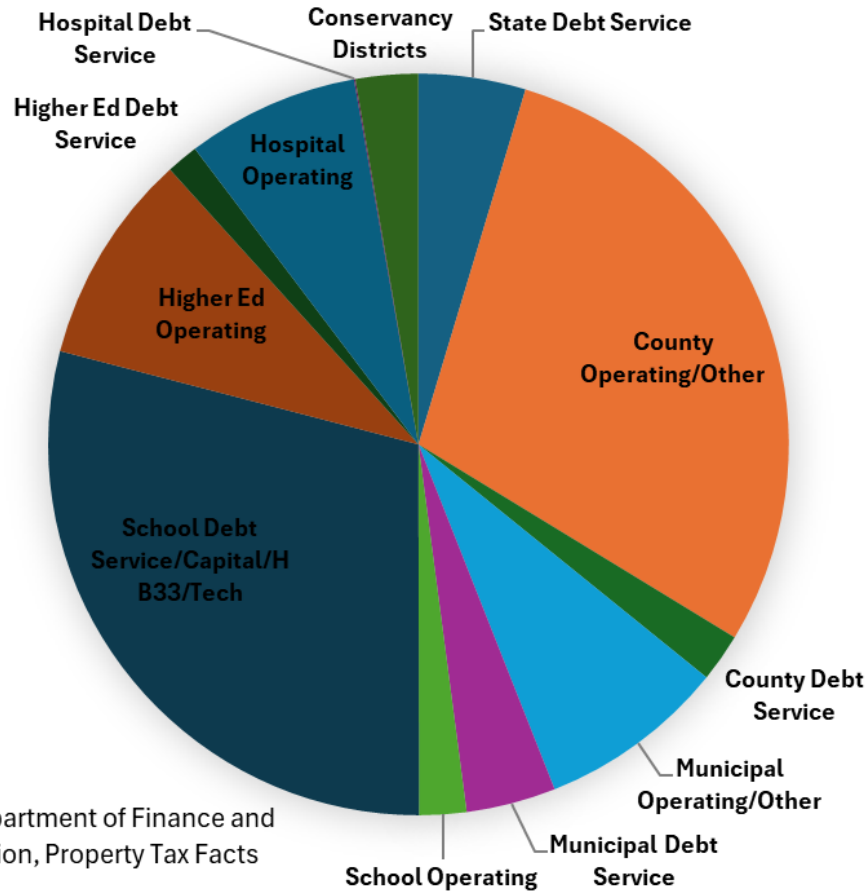
- College District Operation – 5 mill maximum (Sec 21-2a-5)

Special District

- Special Hospital District – 4.25 mill maximum (Sec 4-48A-16)
- Community Service District – 10 mill maximum (Sec 4-54-4)
- Economic Advancement Districts – 2 mill maximum (Sec 6-19-4)
- Copper Ad Valorem Tax (Sec 7-39-8)
- Albuquerque Metropolitan Flood Control -.5 mill maximum (Sec 72-16-22)
- Las Cruces Metro Flood Control -.5 mill maximum (Sec 72-17-22)
- Flood Control Districts – 2 mill maximum (Sec 7-18-20)
- Artesian Conservancy Districts (Sec 73-1-21)
- Soil and Watershed Conservation Districts (Sec 73-20-17)
- Solid Waste Authority (Sec 73-20-46)

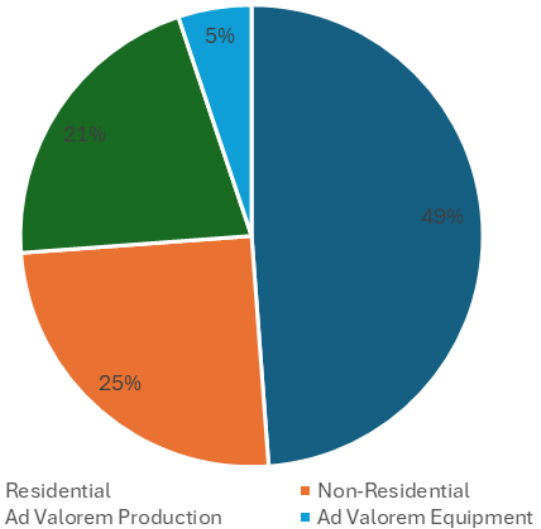
Property Tax Base and Revenue Distributions

Tax Year 2022 Property Tax Revenue Recipients
TOTAL: \$2.58 billion



Source: Department of Finance and Administration, Property Tax Facts

Tax Year 2022 Net Taxable Values

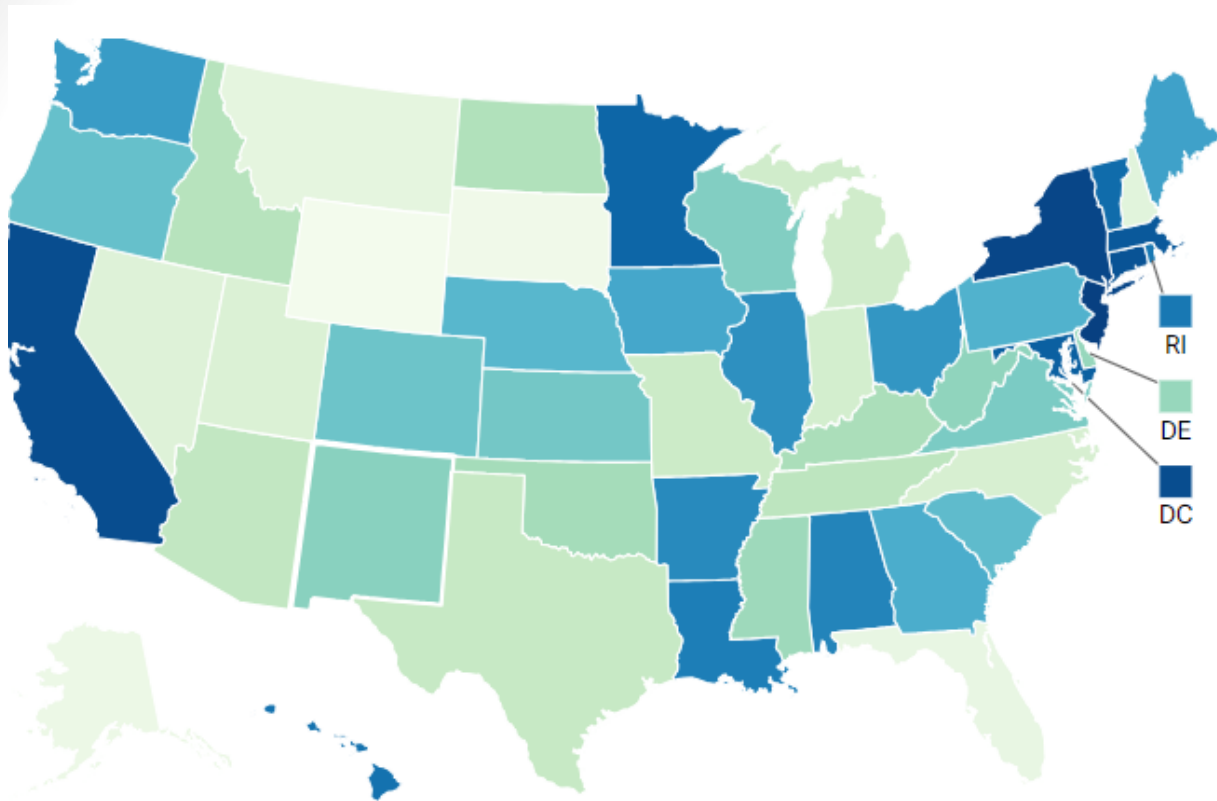


Source: Department of Finance and Administration,

- Residential properties comprise nearly half of the property tax base

National Comparisons

New Mexico has Lowest Property Tax Nationally...



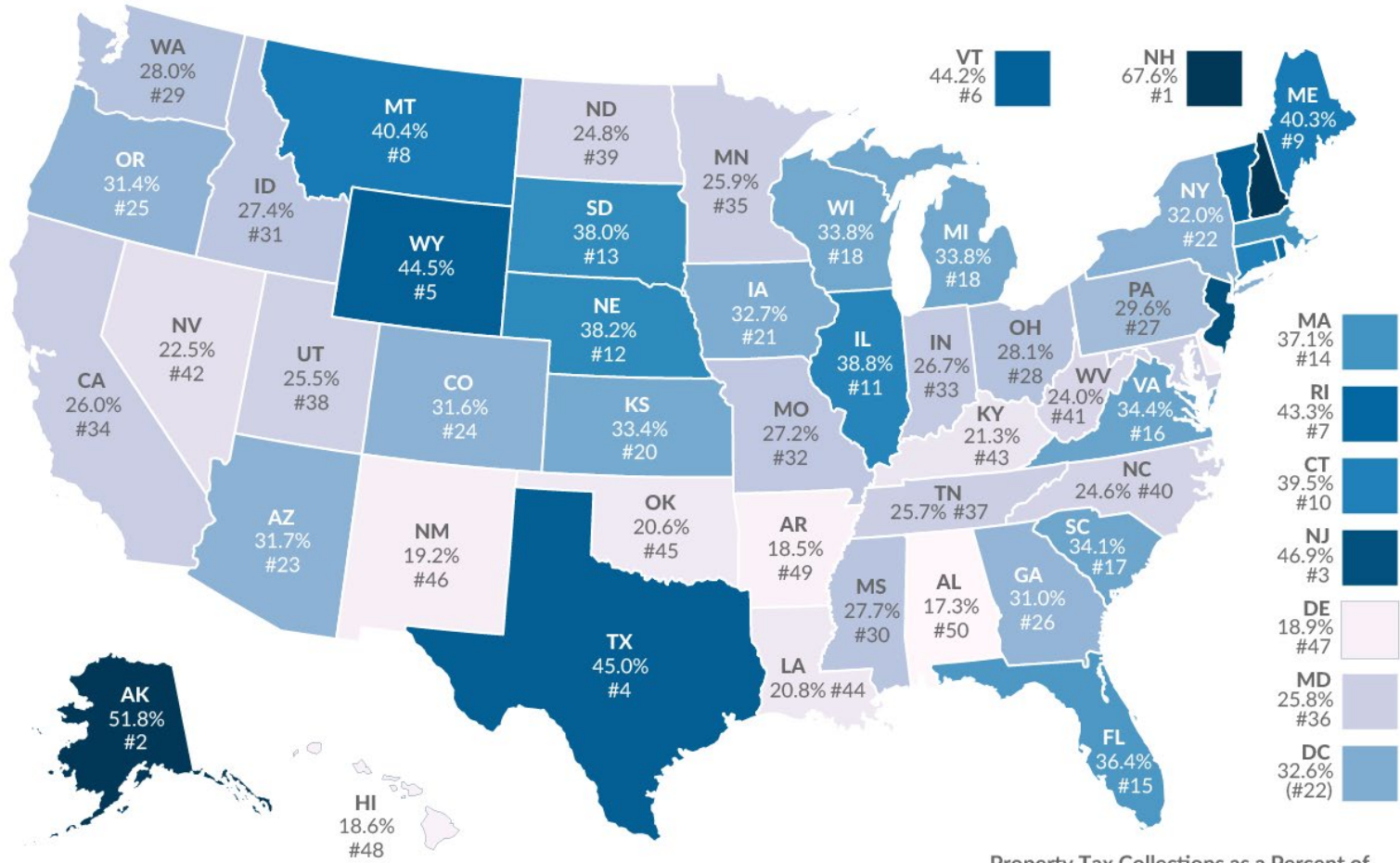
New Mexico	
Tax Type	Rank
Overall Rank	23
Corporate Taxes	13
Individual Taxes	36
Sales Taxes	35
Property Taxes	1
Unemp. Insur. Taxes	11



... And Relies Less on Property Tax Than all but 4 States

How Much Does Your State Rely on Property Taxes?

Property Tax Collections as a Percent of Total State and Local Tax Collections, FY 2017



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.

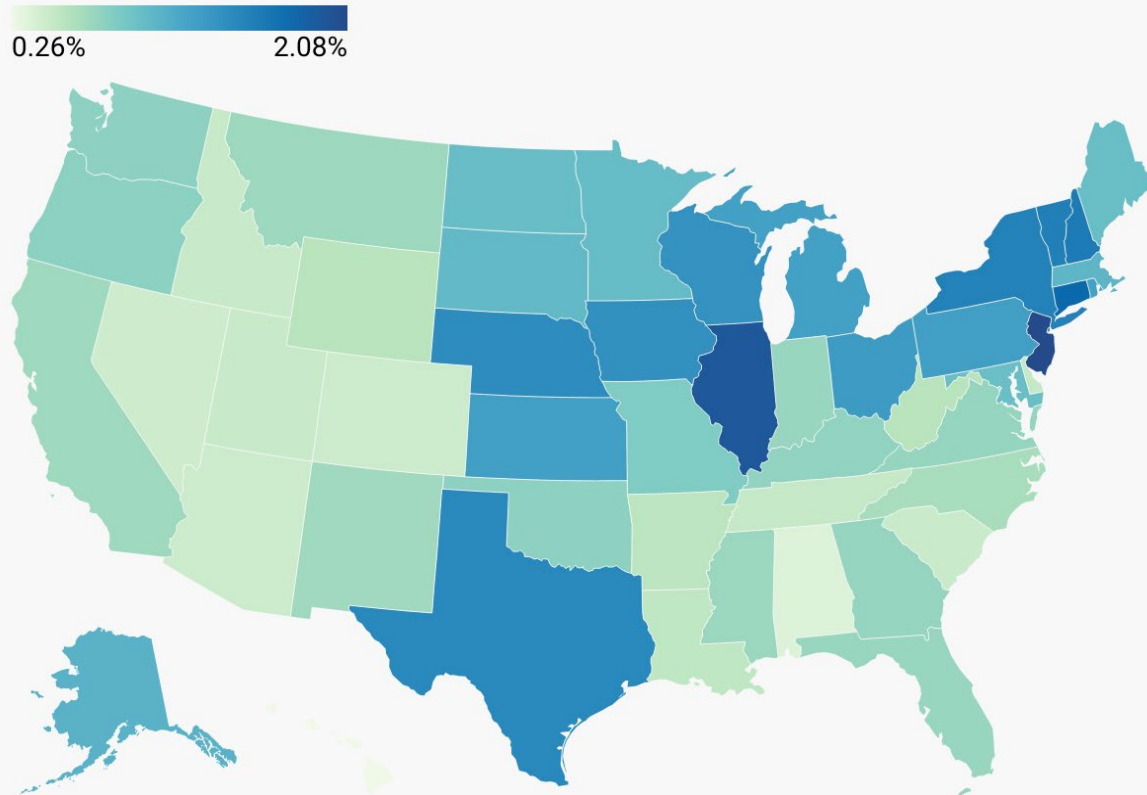
Sources: U.S. Census Bureau, "Annual Survey of State and Local Government Finances" Tax Foundation calculations.



Average Property Tax Rate of 0.67% is 35th in the Nation

How High Are Property Taxes in Your State?

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value, 2022



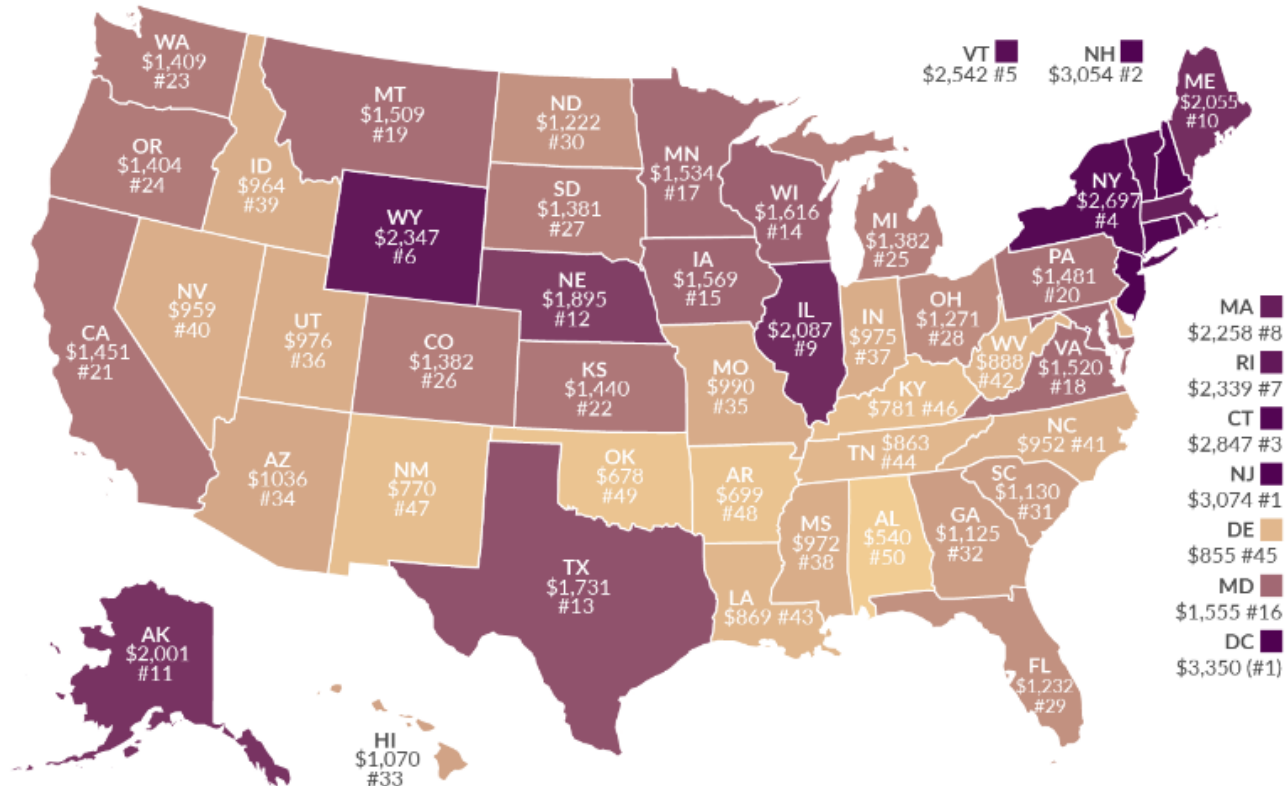
Note: The figures in this table are mean effective property tax rates on owner-occupied housing (total real taxes paid/total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. DC's rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: US Census Bureau, 2022 American Community Survey; Tax Foundation calculations.

New Mexico Collects \$770 Per Capita Property Tax, Lower than all but 3 States

How High Are Property Tax Collections in Your State?

State & Local Property Tax Collections per Capita, FY 2015



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: Census Bureau; Tax Foundation calculations.



Council on State Property Tax Scorecard - 2019



THE BEST (AND WORST) OF INTERNATIONAL PROPERTY TAX ADMINISTRATION

COST-IPTI SCORECARD ON THE PROPERTY TAX ADMINISTRATIVE SYSTEMS
OF THE US STATES AND SELECTED INTERNATIONAL JURISDICTIONS

JUNE 2019*

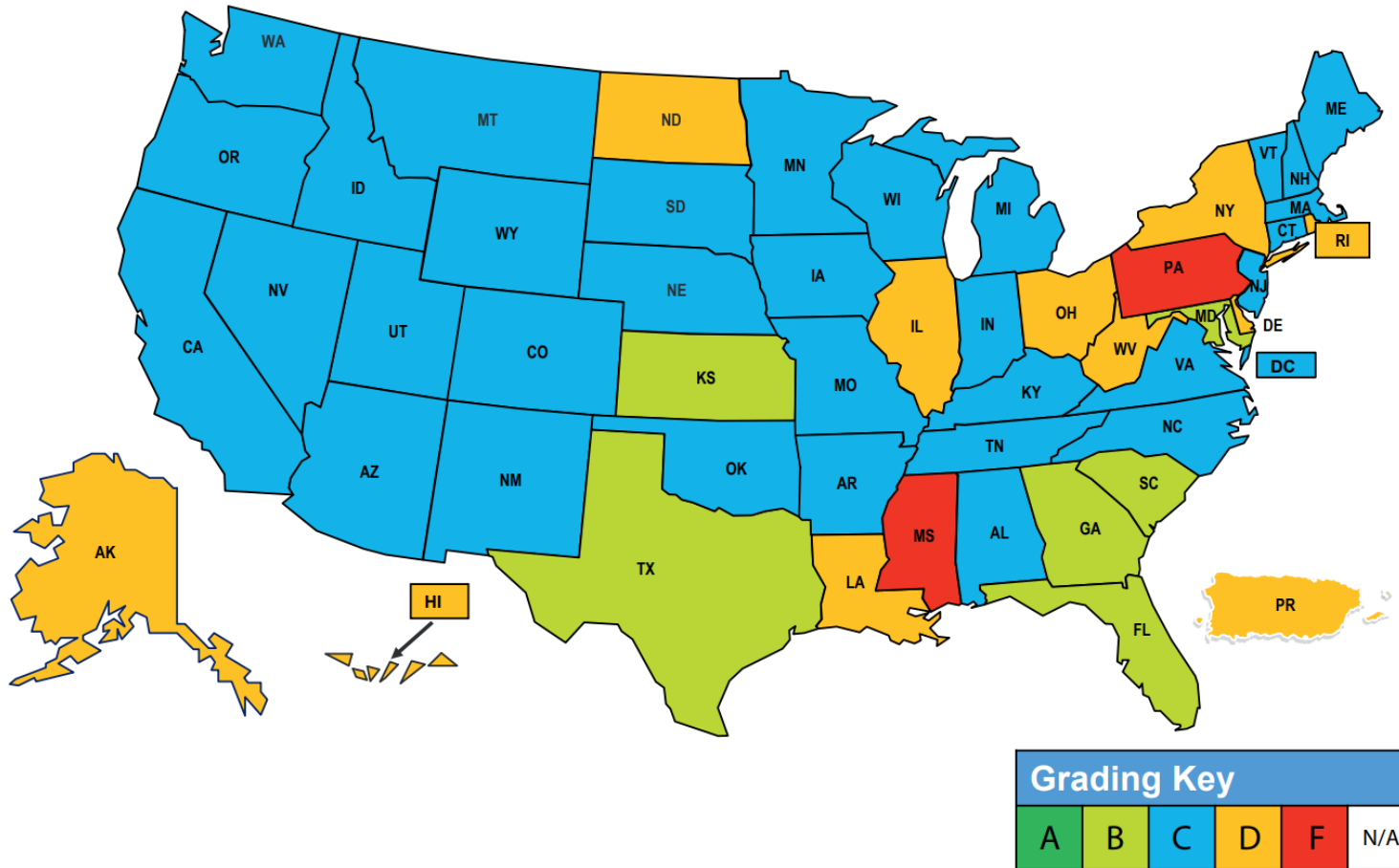
Nikki Dobay, COST
Fred Nicely, COST

Annabel Sanderson, IPTI
Paul Sanderson, IPTI¹

“The purpose of the Scorecard is to provide tax policymakers with an indication of best practices and a comparative measure of the fairness and efficiency of their property tax administrative practices.”

COST Gives New Mexico a C+ in Property Taxation

U.S. States & Puerto Rico Overall Property Tax Scorecard Grade



New Mexico's COST Scorecard Details

New Mexico—Overall Grade C+		
Transparency - B	Consistency - D	Procedural Fairness - B
CENTRALIZED INFORMATION	CENTRAL AGENCY OVERSIGHT	INITIAL REVIEW
Does the state have a website with clear explanations about property taxation?	Does the state regulate local assessors by performing e.g., ratio studies, equalization?	Does the taxpayer have a legal right to a review before a revaluation is finalized?
2 - No. The information provided is limited and is aimed at municipalities, not taxpayers.	1 - The property tax director has supervisory power, and evaluations the correctness of assessors' valuations.	2 - No. Only after a formal protest is filed.
http://www.tax.newmexico.gov/Businesses/appraisal-bureau.aspx	N.M. Stat. Ann. § 7-36-16(B).	
Does the state have a separate website for property tax laws/regulations?	Does the state require the use of standardized forms?	Does the taxpayer have at least 60 days to file the initial appeal of an assessment?
1 - There is a link to the appropriate sections of the New Mexico code and regulations from the above website.	2 - Only centrally assessed properties have standardized forms.	1 - No. The taxpayer has 30 days.
		N.M. Stat. Ann. §7-38-24.
Does the state have a website where its property tax forms are available?	Can a taxpayer challenge a valuation as out of line with comparable properties?	Is the assessor required to produce evidence upon which valuations are based?
1 - Some limited forms are available.	2 - No. There is no specific challenge for uniform and consistent property valuation.	1 - During the discovery portion of the appeals process.
http://www.tax.newmexico.gov/Businesses/appraisal-bureau.aspx		NMAC 3.6.7.36.

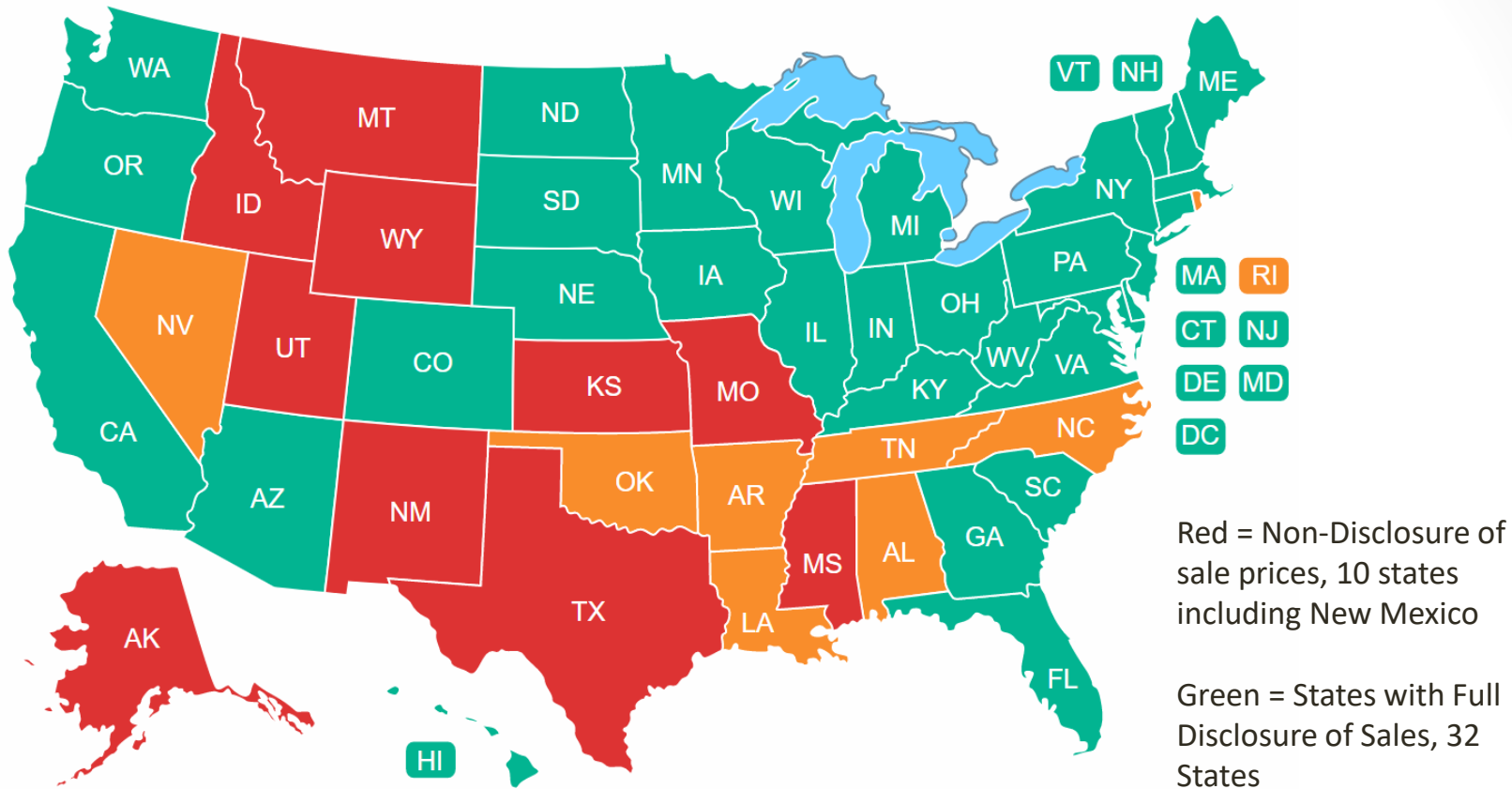
COST Scorecard Details

VALUATION NOTICE	EQUAL ASSESSMENT PRACTICES	FAIR INDEPENDENT TRIBUNAL
Do taxpayers receive notice at revaluation, even if there is no valuation change? 0 - Yes.	Does the state have consistent due dates for property tax filings and payments? 0 - Yes. Reports are due the last day of February. Payments are due Nov. 10 and Apr. 10.	Which party bears the burden of proof in connection with an assessment appeal? 1 - On the taxpayer, who must show “evidence tending to dispute” the valuation, after which the burden shifts to the county or the assessor.
N.M. Stat. Ann. § 7-38-20.	N.M. Stat. Ann. §§ 7-38-8, 38(A), 86; 7-1-16.	NMAC 3.6.7.13.
Is the valuation notice clear and understandable? 0 - Yes. The form is standardized by the state.	Do the tax rates/assessment ratios/caps apply equally to all taxable properties? 1 - No, leading to some differences in effective tax rates for commercial versus residential properties.	Do taxpayers have a right to independent review introducing new facts and issues? 0 - Yes. Administrative appeals and appeals to the state district court are
N.M. Stat. Ann. § 7-38-20(d); NMAC 3.6.7.29.		N.M. Stat. Ann. §§ 7-38-28, 40; 39-3-1.1.
Does the valuation notice include information on how to appeal? 1 - Yes, a brief description of the appeals process is included.	Are interest rates payable on unpaid property tax, and refunds, equal? 2 - Underpayments: 1% per month; Overpayments: property owners share of interest earned by the protested taxes.	Does the taxpayer have at least 60 days to appeal to an independent tribunal? 1 - No. 30 days from the day of the final decision.
N.M. Stat. Ann. § 7-38-20(d)(13).	N.M. Stat. Ann. §§ 7-38-41; 7-38-49.	N.M. Stat. Ann. §§ 7-28-38, 39-3-1.1, 7-1-25.

COST Scorecard Details

VALUATION PRACTICE	ASSESSOR TRAINING/OUTREACH	OTHER PROCEDURAL FAIRNESS
How often is real property valued?	Are assessors/appraisers required to hold recognized professional qualifications?	Is the taxpayer required to pay a fee to make an initial appeal?
0 - Either a one or a two-year cycle, as determined by the county appraiser.	2 - The previous statute exempted gov't workers from its requirements. It is unclear if that exemption still exists.	0 - No fee for initial appeals and only standard court filing fees.
NMAC § 3.6.5.23(C).	N.M. Stat. Ann. § 61-30-10.	
Can taxpayers obtain valuation and/or tax rate information for other assessments?	Are assessors required to meet continued professional development requirements?	Must the taxpayer pay the disputed tax regardless of an ongoing appeal?
1 - Some localities make this information available.	0 - Yes. 30 hours every three years.	0 - If a timely protest is filed, the disputed portions of tax do not become delinquent.
	NMAC 3.6.3.16(G).	N.M. Stat. Ann. § 7-38-46.
Are assessors using recognized valuation methods or are there some restrictions?	Do assessors publicize property tax revaluations?	Do third parties - e.g., municipalities/other taxpayers - have separate appeal rights?
0 - Assessors use M.V. determined by sales, income or cost methods of valuation.	1 - Newspaper publication is required.	0 - No.
N.M. Stat. Ann. § 7-36-15(B).	N.M. Stat. Ann. § 7-38-18.	

New Mexico is One of 10 Non-Disclosure States



Source: <https://retipster.com/non-disclosure-states-map/>

Policy Considerations

New Mexico's Unique Taxation Stool

- A traditional tax system relies on a stable “three-legged stool” of Income Tax, Sales Tax, and Property Tax
- New Mexico's State general fund receives no property tax – State General Obligation Bonds receive about 5% of all property taxes
- The State's “third leg” is severance taxes, which have become more stable for the general fund with recent legislation but are expected to decline in the long term
- Investment earnings from permanent funds will become the State's largest revenue source in coming decades, replacing severance taxes
- Counties receive about 75% of revenue from property tax, with gross receipts tax as the second major source
- Other recipients of property tax include municipalities, school districts, special districts



Should New Mexico Rely More on Property Tax?

- It depends
- New Mexico could diversify its revenues by imposing property tax for General Fund operations, while reducing the Gross Receipts Tax
 - NM Constitution allows up to 4 mills for State operating that is not currently imposed
 - 4 mills would generate about \$360 million on a roughly \$90 billion net taxable value base
 - A \$360 million GRT and compensating tax rate reduction is equivalent to about .38%
- Property taxes are fairly stable and more enforceable than GRT
 - Yield control adds stability
- Property taxes are especially unpopular
 - Sticker shock of lump payments, compared to GRT buried in many small amounts
- Property taxes indirectly increase housing costs – though GRT savings could offset
- Property taxes and GRT are both inherently regressive, but exemptions and deductions can reduce regressivity in both taxes
 - Head of family exemption, veteran and disabled veteran exemptions

Head of Family Property Tax Exemption

- Most states offer a partial property tax exemption for a taxpayer's primary residence
- New Mexico offers a \$2,000 Head of Family property tax exemption
 - Not adjusted for inflation since 1993
 - \$2,000 in 1993 is worth about \$4,500 today
- About 280,000 property owners claim the exemption annually, reducing property tax revenue by about \$16.8 million per year, \$60 annual benefit per household
 - Increasing to \$4,500 would increase the benefit to \$141 per family, reducing property tax revenue by \$22.7 million per year absent any rate changes
 - Revenue impacts would be shared across all entities that impose the property tax
- Any consideration to impose property tax for State operations could be paired with an increased Head of Family Exemption
 - Could help shield lower-income New Mexicans whose home is their primary residence from higher property tax
 - Those with second homes and higher value properties would pay more

Resources

- NM Taxation & Revenue Department
<https://www.tax.newmexico.gov/>
- Property Tax Division
<https://www.tax.newmexico.gov/businesses/property-tax-overview/>
- Council on State Taxation:
<https://www.cost.org>
- Tax Foundation
<https://taxfoundation.org>
- Real Estate Tipster
<https://retipster.com/non-disclosure-states-map/>



Thank you!

StephanieS.Clarke@tax.nm.gov

Ira.Pearson@tax.nm.gov

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