

HOUSE BILL

**53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017**

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO TAXATION; PHASING OUT CERTAIN LIMITATIONS ON  
INCREASES IN VALUE OF RESIDENTIAL PROPERTY FOR PROPERTY  
TAXATION PURPOSES; PROVIDING FOR ADDITIONAL LIMITS ON INCREASES  
IN VALUE OF CERTAIN RESIDENTIAL PROPERTY OCCUPIED BY THE SAME  
OWNER FOR SPECIFIED AMOUNTS OF TIME.

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, as amended) is amended to read:

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

A. Except as otherwise provided in this section,  
residential property shall be valued at its current and correct  
value in accordance with the provisions of the Property Tax  
Code; provided that ~~[for the 2001 and subsequent tax years, the~~

.205277.2

1 ~~value of a property in any tax year shall not exceed the higher~~  
2 ~~of one hundred three percent of the value in the tax year prior~~  
3 ~~to the tax year in which the property is being valued or one~~  
4 ~~hundred six and one-tenth percent of the value in the tax year~~  
5 ~~two years prior to the tax year in which the property is being~~  
6 ~~valued. This]:~~

7 (1) for the 2018 tax year, the value of a  
8 property shall not exceed whichever value is the highest of the  
9 following:

10 (a) one hundred five percent of the  
11 value in the tax year prior to the tax year in which the  
12 property is being valued;

13 (b) one hundred ten and twenty-five  
14 hundredths percent of the value in the tax year two years prior  
15 to the tax year in which the property is being valued; or

16 (c) seventy percent of the current and  
17 correct value of the property determined for property taxation  
18 purposes;

19 (2) for the 2019 tax year, the value of a  
20 property shall not exceed whichever value is the highest of the  
21 following:

22 (a) one hundred seven percent of the  
23 value in the tax year prior to the tax year in which the  
24 property is being valued;

25 (b) one hundred fourteen and forty-nine

1 hundredths percent of the value in the tax year two years prior  
2 to the tax year in which the property is being valued; or

3 (c) eighty-five percent of the current  
4 and correct value of the property determined for property  
5 taxation purposes; and

6 (3) for the 2020 and subsequent tax years, a  
7 property shall be valued at its current and correct value in  
8 accordance with the general provisions of the Property Tax  
9 Code.

10 B. The limitation on increases in value pursuant to  
11 Subsection A of this section shall be the highest value and  
12 shall not exceed the current and correct value of the property  
13 determined for property taxation purposes in accordance with  
14 the general provisions of the Property Tax Code.

15 C. Notwithstanding Subsection A of this section,  
16 the valuation for property taxation purposes of a single-family  
17 dwelling owned and occupied as the primary residence of a New  
18 Mexico resident, whose modified gross income, as defined in the  
19 Income Tax Act, for the prior taxable year did not exceed the  
20 greater of fifty-two thousand dollars (\$52,000), for:

21 (1) ten to twenty-four years, shall not exceed  
22 whichever value is the highest of the following:

23 (a) one hundred five percent of the  
24 value in the tax year prior to the tax year in which the  
25 property is being valued; or

1                   **(b) one hundred ten and twenty-five**  
2 **hundredths percent of the value in the tax year two years prior**  
3 **to the tax year in which the property is being valued; or**

4                   **(2) twenty-five or more years, shall not**  
5 **exceed whichever value is the highest of the following:**

6                   **(a) one hundred three percent of the**  
7 **value in the tax year prior to the tax year in which the**  
8 **property is being valued; or**

9                   **(b) one hundred six and one-tenth**  
10 **percent of the value in the tax year two years prior to the tax**  
11 **year in which the property is being valued.**

12                   **D. The** limitation on increases in value does not  
13 apply to:

14                   (1) a residential property in the first tax  
15 year that it is valued for property taxation purposes;

16                   (2) any physical improvements, except for  
17 solar energy system installations, made to the property during  
18 the year immediately prior to the tax year or omitted in a  
19 prior tax year; or

20                   (3) valuation of a residential property in any  
21 tax year in which

22                   ~~[(a) a change of ownership of the~~  
23 ~~property occurred in the year immediately prior to the tax year~~  
24 ~~for which the value of the property for property taxation~~  
25 ~~purposes is being determined; or~~

1                   ~~(b)~~] the use or zoning of the property  
2 has changed in the year prior to the tax year.

3                   ~~[B. If a change of ownership of residential~~  
4 ~~property occurred in the year immediately prior to the tax year~~  
5 ~~for which the value of the property for property taxation~~  
6 ~~purposes is being determined, the value of the property shall~~  
7 ~~be its current and correct value as determined pursuant to the~~  
8 ~~general valuation provisions of the Property Tax Code.~~

9                   ~~C. To assure that the values of residential~~  
10 ~~property for property taxation purposes are at current and~~  
11 ~~correct values in all counties prior to application of the~~  
12 ~~limitation in Subsection A of this section, the department~~  
13 ~~shall determine for the 2000 tax year the sales ratio pursuant~~  
14 ~~to Section 7-36-18 NMSA 1978 or, if a sales ratio cannot be~~  
15 ~~determined pursuant to that section, conduct a sales ratio~~  
16 ~~analysis using both independent appraisals by the department~~  
17 ~~and sales. If the sales ratio for a county for the 2000 tax~~  
18 ~~year is less than eighty-five, as measured by the median ratio~~  
19 ~~of value for property taxation purposes to sales price or~~  
20 ~~independent appraisal by the department, the county shall not~~  
21 ~~be subject to the limitations of Subsection A of this section~~  
22 ~~and shall conduct a reassessment of residential property in the~~  
23 ~~county so that, by the 2003 tax year, the sales ratio is at~~  
24 ~~least eighty-five. After such reassessment, the limitation on~~  
25 ~~increases in valuation in this section shall apply in those~~

1 ~~counties in the earlier of the 2004 tax year or the first tax~~  
2 ~~year following the tax year that the county has a sales ratio~~  
3 ~~of eighty-five or higher, as measured by the median ratio of~~  
4 ~~value for property taxation purposes to sales value or~~  
5 ~~independent appraisal by the department. Thereafter, the~~  
6 ~~limitation on increases in valuation of residential property~~  
7 ~~for property taxation purposes in this section shall apply to~~  
8 ~~subsequent tax years in all counties.~~

9           ~~D.]~~ E. The provisions of this section do not apply  
10 to residential property for any tax year in which the property  
11 is subject to the valuation limitation in Section 7-36-21.3  
12 NMSA 1978.

13           ~~[E. As used in this section, "change of ownership"~~  
14 ~~means a transfer to a transferee by a transferor of all or any~~  
15 ~~part of the transferor's legal or equitable ownership interest~~  
16 ~~in residential property except for a transfer:~~

17                   ~~(1) to a trustee for the beneficial use of the~~  
18 ~~spouse of the transferor or the surviving spouse of a deceased~~  
19 ~~transferor;~~

20                   ~~(2) to the spouse of the transferor that takes~~  
21 ~~effect upon the death of the transferor;~~

22                   ~~(3) that creates, transfers or terminates,~~  
23 ~~solely between spouses, any co-owner's interest;~~

24                   ~~(4) to a child of the transferor, who occupies~~  
25 ~~the property as that person's principal residence at the time~~

1 of transfer; provided that the first subsequent tax year in  
2 which that person does not qualify for the head of household  
3 exemption on that property, a change of ownership shall be  
4 deemed to have occurred;

5 (5) that confirms or corrects a previous  
6 transfer made by a document that was recorded in the real  
7 estate records of the county in which the real property is  
8 located;

9 (6) for the purpose of quieting the title to  
10 real property or resolving a disputed location of a real  
11 property boundary;

12 (7) to a revocable trust by the transferor  
13 with the transferor, the transferor's spouse or a child of the  
14 transferor as beneficiary; or

15 (8) from a revocable trust described in  
16 Paragraph (7) of this subsection back to the settlor or trustor  
17 or to the beneficiaries of the trust.]

18 F. The limitation of value pursuant to Subsection C  
19 of this section shall be claimed in order to be allowed. The  
20 limitation may be claimed by filing proof of eligibility with  
21 the county assessor on an application form prescribed by the  
22 department and furnished by the assessor, which shall provide  
23 for proof of occupancy and income eligibility. An owner who  
24 applies for a limitation of value pursuant to this subsection  
25 and files proof of income eligibility for the three consecutive

1 years immediately prior to the tax year for which the  
2 application is made need not claim the limitation for  
3 subsequent tax years if there is no change in eligibility.  
4 Thereafter, the county assessor shall apply the limitation  
5 automatically in subsequent tax years until a change in  
6 eligibility occurs.

7           [F-] G. As used in this section, "solar energy  
8 system installation" means an installation that is used to  
9 provide space heat, hot water or electricity to the property in  
10 which it is installed and is:

11                   (1) an installation that uses solar panels  
12 that are not also windows;

13                   (2) a dark-colored water tank exposed to  
14 sunlight; or

15                   (3) a non-vented trombe wall."

16           **SECTION 2. APPLICABILITY.**--The provisions of this act  
17 apply to the 2018 and subsequent property tax years.