

AN ACT

RELATING TO TAXATION; LIMITING INCREASES IN THE VALUE OF
RESIDENTIAL PROPERTY FOR PROPERTY TAXATION PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 7-36-16 NMSA 1978 (being Laws 1973,
Chapter 258, Section 18) is amended to read:

"7-36-16. RESPONSIBILITY OF COUNTY ASSESSORS TO
DETERMINE AND MAINTAIN CURRENT AND CORRECT VALUES OF
PROPERTY.--

A. County assessors shall determine values of
property for property taxation purposes in accordance with
the Property Tax Code and the regulations, orders, rulings
and instructions of the department. Except as limited in
Section 7-36-21.2 NMSA 1978, they shall also implement a
program of updating property values so that current and
correct values of property are maintained and shall have
sole responsibility and authority at the county level for
property valuation maintenance, subject only to the general
supervisory powers of the director.

B. The director shall implement a program of
regular evaluation of county assessors' valuation activities
with particular emphasis on the maintenance of current and
correct values.

C. Upon request of the county assessor, the

director may contract with a board of county commissioners for the department to assume all or part of the responsibilities, functions and authority of a county assessor to establish or operate a property valuation maintenance program in the county. The contract shall be in writing and shall include provisions for the sharing of the program costs between the county and the department. The contract must include specific descriptions of the objectives to be reached and the tasks to be performed by the contracting parties. The initial term of any contract authorized under this subsection shall not extend beyond the end of the fiscal year following the fiscal year in which it is executed, but contracts may be renewed for additional one-year periods for succeeding years.

D. The department of finance and administration shall not approve the operating budget of any county in which there is not an adequate allocation of funds to the county assessor for the purpose of fulfilling his responsibilities for property valuation maintenance under this section. If the department of finance and administration questions the adequacy of any allocation of funds for this purpose, it shall consult with the department, the board of county commissioners and the county assessor in making its determination of adequacy.

E. To aid the board of county commissioners in

determining whether a county assessor is operating an efficient program of property valuation maintenance and in determining the amount to be allocated to him for this function, the county assessor shall present with his annual budget request a written report setting forth improvements of property added to valuation records during the year, additions of new property to valuation records during the year, increases and decreases of valuation during the year, the relationship of sales prices of property sold to values of the property for property taxation purposes and the current status of the overall property valuation maintenance program in the county. The county assessor shall send a copy of this report to the department."

Section 2. A new section of the Property Tax Code, Section 7-36-21.2 NMSA 1978, is enacted to read:

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

A. 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 value of a property in any tax year shall not exceed the higher of one hundred three percent of the value in the tax year prior to the tax year in which the property is being valued or one hundred six and one-tenth percent of the value in the tax year two years

prior to the tax year in which the property is being valued.

This limitation on increases in value does not apply to:

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

(2) any physical improvements made to the property during the year immediately prior to the tax year;

or

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

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

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

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

C. To assure that the values of residential property for property taxation purposes are at current and correct values in all counties prior to application of the

limitation in Subsection A of this section, a county for which a sales ratio may be determined pursuant to Section 7-36-18 NMSA 1978 shall not be subject to the limitations of Subsection A of this section if the sales ratio for that county for the 2000 tax year is less than eighty-five, as measured by the median ratio of value for property taxation purposes to sales price. Such a county shall conduct a reassessment of residential property in the county and may increase valuations for property taxation purposes, as necessary to meet the current and correct valuation requirement, in amounts that do not increase in any tax year more than the sum of three percent of the prior year value of residential property in the county plus the net new value of residential property and do not increase the value of a residential property in any tax year more than the sum of five percent of the prior year value of that property plus any applicable net new value. Such reassessment shall continue until the tax year following the first tax year in which the sales ratio for the county is eighty-five or greater.

D. As used in this section:

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

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

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

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

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

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

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

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

(h) from a revocable trust described in Subparagraph (g) of this subsection back to the settlor

or trustor or to the beneficiaries of the trust;

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

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

Section 3. APPLICABILITY.--The provisions of Sections 1 and 2 of this act apply to the 2001 and subsequent property tax years. _____
