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FISCAL IMPACT REPORT

SPONSOR Zanetti DATE TYPED 2/9/2004 HB 537

SHORT TITLE Agricultural Land Valuation SB _____

ANALYST Garcia

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		Indeterminate		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Not Received From
 Department of Agriculture
 Taxation and Revenue Department
 State Engineer

SUMMARY

Synopsis of Bill

The bill amends Section 7-36-20 NMSA 1978 dealing with the valuation of land used primarily for agricultural use. The only significant change the bill makes is moving the required valuation period from three tax years to five tax years for land used primarily for agricultural purposes. Agricultural use in this context is defined as land used for the “production of plants, crops, trees, forest products, orchard crops, livestock, poultry or fish.

Significant Issues

1) The value of land used primarily for agricultural uses is determined on the basis of the land’s capacity to produce agricultural goods. For valuation purposes, bona fide evidence must be shown that the land is used primarily for agricultural purposes for eligibility of the land to be valued under the special method of valuation.

2) Under current law, if the land was valued in one or more of the three tax years prior to the year it was revalued and the uses of the land has not changed, the land continues to be eligible for special valuation. However, due to widespread drought conditions in New Mexico, many agricultural lands may be stagnant or not in use for a period of time, which may put their special valuation eligibility in jeopardy. Consequently, the bill extends the period to five years to possibly extend eligibility for special valuation.

FISCAL IMPLICATIONS

Without a response from Taxation and Revenue or the Agriculture Department on how many lands are affected under the special valuation, it is impossible to determine the fiscal impact.

ADMINISTRATIVE IMPLICATIONS

The state Taxation and Revenue Department and possibly various county assessors may be required to change its administration of land valuations.

DG/sec