

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/08

SPONSOR Barela LAST UPDATED _____ HB 295

SHORT TITLE Raise Property Tax Limitation Income Limit SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	*See Narrative			

(Parenthesis () Indicate Revenue Decreases)

Relates to SB116

SOURCES OF INFORMATION

LFC Files

Responses Received From

Aging and Long Term Services

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 295 changes the property tax valuation limit for low income homeowners who are 65 years and older. Current law freezes valuation on property if the homeowner is 65 years or older and has a modified gross income of less than \$18,000. HB295 would change the income threshold to 200 percent of the federal poverty level (FPL). The valuation freezes on 2008 if the taxpayer is over 65; freezes on the year the taxpayer turns 65; or freezes on the tax year after the tax year a home is first occupied if the owner is over 65.

2007 Federal Poverty Level (FPL)

Family Size	200%
1	20,424
2	27,384
3	34,344
4	41,304
5	48,264
6	55,224
7	62,184
8	69,144

The effective date is May 14, 2008.

FISCAL IMPLICATIONS

TRD reports that 7,500 currently benefit from the limitation and that with this change about 4,500 additional taxpayers will benefit. Since these taxpayers also benefit from the 3 percent maximum valuation increase, the impact both individually and collectively is likely to be very small. Any impact will be absorbed by other taxpayers as rates adjust to maintain the funding level required for debt service.

SIGNIFICANT ISSUES

Aging and Long Term Services:

The need for accessible, affordable housing in New Mexico is a serious issue for those over the age of 65. Health and housing concerns are often interrelated. Increases in property taxes may prevent a senior from being able to maintain community living. This issue is frequently cited as a major concern among seniors on fixed incomes whose disposable income is greatly reduced by increased housing costs. The Aging and Long-term services department is committed to promoting lifelong independence and healthy aging, and to supporting services being provided in home and community-based settings. This bill would assist some seniors to remain in their own homes, in the community, and to "age in place" instead of moving to unfamiliar surroundings, or being cared for in an alternative setting such as a nursing home or assisted living facility.

Accessible and affordable housing is an equally significant issue for people living with a disability. The Section of law that is being amended could extend this limitation on increase in home value to the disabled population, but it does not. The Aging and Long-Term Services Department serves the needs of all persons in need of long-term care services and support, including those with disabilities. We would recommend amending the bill to extend this important provision to people living with disabilities, as well as to individuals over the age of 65.

TECHNICAL ISSUES

TRD notes that the effective date makes the valuation limitation applicable to tax year 2008 but that assessors have already mailed out or will have by the time the law is effective on May 14, 2008. Making the law effective for tax year 2009 would avoid any confusion that may arise from any difference between the valuation letter and the property tax bill.

ADMINISTRATIVE ISSUES

TRD reports administrative impacts on the Taxation and Revenue Department from the proposed measure would be relatively minor. The stipulation that eligibility would be based on federal poverty guidelines would be problematic, however, because county representatives would be required to verify the number of dependants in households of taxpayers claiming the exemption. This would probably not be substantially more difficult than the current practice of determining modified gross income, however. A solution would consist of simply specifying that FPL guidelines based on a family size of two for all taxpayers would be the single criteria on which eligibility is based. As indicated above, this would place the eligibility threshold at \$27,380 in 2008.

OTHER ISSUES

TRD:

The Santa Fe County Assessor's office reports 56 taxpayers qualified for the limitation in tax year 2007. The individuals that qualified were mostly from older neighborhoods where property values are relatively low. Bernalillo County reports that 2,464 taxpayers are subject to the limitation. Dona Ana County representatives state that 457 taxpayers are subject to it, while the total in San Juan County is currently 100 taxpayers. In Sierra County, which has a relatively high concentration of retirees, only 53 taxpayers took advantage of this exemption. Estimates made by the Property Tax Division in the Taxation and Revenue Department indicate that approximately \$200,000 in tax benefits are provided statewide by the current limitation.

Taxpayers are probably not claiming the exemption because 1) the benefit is, in most cases, minor, and 2) they are not aware of it. A low-income taxpayer whose tax bill is \$500 would receive a tax benefit totaling only approximately \$15 the first year the taxpayer receives the bill. The benefit from the limitation to any particular taxpayer grows over time. The limitation does not insulate taxpayers from tax increases caused by rate increases, however.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB116 also raises the income limit for taxpayers 65 years and older but raises it to \$32,000 rather than a percentage of FPL.

NF/mt