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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/5/08

SPONSOR HGAC LAST UPDATED \_\_\_\_\_ HB 661/HGACS

SHORT TITLE Public Peace, Health, Safety & Welfare 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 several property tax bills being considered by the 2008 legislature.

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of HGAC Substitute

The House Government Affairs Committee substitute for House Bill 661 amends 7-36-15 NMSA 1978 to require, for property subject to affordable housing restrictions on owners realization of increased value in a sale or otherwise restricts the owner's future use of the property. These include subsidy, covenant or encumbrance imposed pursuant to a state, local or federal affordable housing program. Essentially the substitute allows county assessors to take into account any restrictions on a property because of its status as an affordable property when valuing the property. Housing includes congregate housing, manufactured homes, homeless or hospice housing, and facilities used by a housing project. Currently, assessors must use valuation methods such as comparable market sales prices which may be significantly higher than the cost of the house to the taxpayer.

### FISCAL IMPLICATIONS

The substitute for HB661 will have a minor fiscal impact on other taxpayers in counties where the assessor adopts this methodology. Due to the way property tax is collected and the need to maintain debt service, the lower valuations that result for taxpayers with affordable housing will result in slightly higher rates for unaffected taxpayers.

## SIGNIFICANT ISSUES

Affordable housing programs offer incentives and subsidies to enable low-income residents to buy a house that they might not otherwise be able to afford. There are several programs around the state and each varies in its set of tools. Some local governments require new developments to set aside property or donate property for affordable housing. Often the purchaser of the house agrees to rules on length of ownership and other covenants that restrict the sale or transfer of the house to keep it as an affordable property. However, in communities with rapidly escalating property values, the assessor has to use “generally accepted appraisal techniques” and determine the market value of the property without taking into consideration these value decreasing covenants, resulting in a property tax bill that may be higher than the resident can afford.

The substitute also would affect property owners that own multifamily or group homes such as homeless shelters and temporary housing.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Other bills being considered in the 2008 session:

Bill Number	Title	Description
H229	END YIELD CONTROL ON SCHOOL MILL LEVY	Allow school districts to levy posted tax rate
H264	RESIDENTIAL PROPERTY TRANSFER AFFIDAVITS	Allow affidavits about property value to be used for county protests
H276/SB398	SUNCAL TAX INCREMENT PROJECT BONDS	10 percent diversion of Bernalillo County property taxes to tax increment district
H295/SB355/SB116	RAISE PROPERTY TAX LIMITATION INCOME LIMIT	Raise the income threshold for taxpayers over age 65
H324	CHARITABLE CARE PROPERTY TAX VALUATION	Exempt certain nursing homes from valuation
H388	REQUIRE DISCLOSURE OF REAL PROPERTY TAXES	Disclosure of estimated property tax to home buyers
H617	PROPERTY TAX ON COMMUNICATIONS SYSTEM LAND	Expand the definition of communication system land in exemption
HJR1	NATIONAL GUARD VETERAN PROPERTY TAXES, CA	Include national guard veterans in military veteran exemption
HJR4	SENIOR CITIZEN PROPERTY TAX EXEMPTION, CA	Phase out property tax for seniors
HJR6	VETERANS' ORGANIZATION PROPERTY TAXES, CA	Exempt certain property from valuation
HJR10	STATEWIDE MILLAGE RATE FOR SCHOOL FUNDS, CA	Add additional 5 mills for education on statewide property tax
S449	LOW-INCOME PROPERTY TAX REBATE ELIGIBILITY	Expand income threshold for local government low income property tax rebate
S450	PROPERTY TAX VALUATION & REASSESSMENT	Revalue property that transferred in 2005/2006 to 2004 levels
S483	PROPERTY TAX ADMINISTRATIVE FEE THRESHOLD	Raise minimum amount of tax admin fee plus tax to \$15
S516	PROPERTY TAX DELINQUENCY NOTICES & TIMING	Extends the time limit property tax can be delinquent before sold.
SJR11	HEAD OF FAMILY PROPERTY TAX EXEMPTION, CA	Increases head of family exemption to \$20,000 from \$2,000.
SJR14	PROPERTY TAX LIMITATIONS, CA	Imposes maximum total tax levy of no more than 1 percent of current and correct tax value.