F I S C A L   I M P A C T   R E P O R T

SPONSOR Snyder **ORIGINAL DATE** 1/28/08 **LAST UPDATED** **HB**

SHORT TITLE Raise Property Tax Limitation Income Limit **SB** 116

ANALYST Francis

REVENUE (dollars in thousands)

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

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Aging and Long Term Services (ALTS)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 116 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. SB116 would change the income threshold to $32,000. 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.

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 2,500 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.

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.

NF/bb