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FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/08
LAST UPDATED 2/4/08 **HB** _____

SPONSOR Sanchez, B

SHORT TITLE Monthly Property Tax Prepayments **SB** 177/aSCORC/aSF#1

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SF#1

Senate Bill 177 was amended on the Senate floor to remove the Class A county restriction. This would allow all counties to change the methodology to accept monthly payments for property tax payments.

Synopsis of SCORC Amendment

Senate Corporations and Transportation Committee Amended SB177 to clarify some of the language and to ensure that the bill does not require a change if the taxpayer pays property taxes through the owner's monthly mortgage payment.

Synopsis of Original Bill

Senate Bill 177 creates a new section of the property tax code to allow an optional prepayment of property taxes in monthly payments in Class A counties (Bernalillo, Dona Ana, Santa Fe, and San Juan are the only Class A counties). The change would allow taxpayers to pay in ten monthly payments with the first nine months being 10 percent of the prior year tax bill and the tenth payment the balance of property tax due. The tax bill will include the total amount of

monthly payments made plus the amount of the final payment. Under current law, taxpayers pay in two portions due in November and April.

The change would be effective for tax years beginning on or after January 1, 2009.

FISCAL IMPLICATIONS

SB177 changes the methodology of payment and not the amount of payments so there is not expected to be a fiscal impact. TRD points out below that there may be minor interest benefits to the counties.

TRD:

Fiscal impacts would probably be minor. Property tax recipients would presumably be able to generate interest on revenues they would receive, on average, earlier than what occurs under the current system. The incidence of delinquent payments would probably diminished as taxpayers made a series of small payments rather than several large ones. The extent of final payments on March 1 would depend on what happened to rates and assessed values between the current and prior years. In some cases taxpayers would be entitled to refunds on March 1.

SIGNIFICANT ISSUES

SB177 would allow taxpayers more flexibility in the payment of property taxes. Those taxpayers who do not pay their property tax through their mortgage payments pay in two payments each year. By allowing monthly payments, the total bill can be spread out more.

DFA reports SB 177 allows the tax payer of limited means a more flexible payment structure. Essentially, this provides a monthly tax payment option similar to that offered to most homeowners with mortgages. The homeowner makes a monthly payment to escrow and once a year, the escrow trustee pays the homeowner's property tax bill.

However, the amendment excludes homeowners that make monthly payments to escrow from this direct monthly payment option. The revenue impact to local governmental entities during the first 9 months is diminished by the volume of mortgages that require escrowed taxes. Most escrow managers are required to pay a nominal interest on the funds for the period between collection and disbursement. The county treasurers are not required to pay interest on the prepaid taxes.

TECHNICAL ISSUES

TRD:

1) The property tax bill, with the additions required by this bill in paragraph H, p.2, lines 19-22, may be confusing to taxpayers. This paragraph appears to require the property tax bill to contain the total amount of prepayments made from June 1 to the date of the property tax bill (which must be mailed no later than November 1 of each year pursuant to § 7-38-36), and the property tax bill must have the amount that will be due in the March 1 payment, presuming that all the prepayments are properly made between October and March. It might be clearer to require the property tax bill to also include the monthly prepayment amounts that are due for November through February, and then the

possibly larger amount that will be due in March.

2) Provisions of the proposal should probably be more specific regarding when county treasurers would be required to transfer the funds they collect to other property tax recipients – school districts, municipalities and other entities.

3) It is unclear what would occur when, for example, a taxpayer fails to make several payments. At some point the associated property would presumably need to be placed on the delinquency list and offered for public auction.

ADMINISTRATIVE IMPLICATIONS

There will likely be significant costs to counties, particularly smaller ones, associated with changing the forms and the processing procedures to accommodate monthly payments and calculating the final payment.

NF/mt