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FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/08

SPONSOR Lopez LAST UPDATED _____ HB _____

SHORT TITLE Property Tax Delinquency Notices and Timing SB 516

ANALYST Earnest

REVENUE (dollars in thousands)

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

(Parenthesis () Indicate Revenue Decreases)

*See narrative

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Responses Not Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 516 amends the Property Tax Code to change the notification period for delinquent property taxes from two years to three years, change the period after which property is listed as delinquent, and changing the period in which a property may be sold by the state from three years to four years.

FISCAL IMPLICATIONS

The fiscal implications are limited to a delay in revenue collection for the state and possibly counties. Because the notification period is extended from two to three years, additional penalty interest may accrue on the delinquent accounts.

According to a TRD analysis of similar legislation in 2007, the fiscal implications are uncertain. The Property Tax Division (PTD) collects about \$2.3 million annually in penalty, interest, and proceeds from sale of properties. The most likely result of the proposed measure would be that

some portion of the \$2.3 million in penalty and interest charges would not be received by PTD in FY 2012, because it would not be provided a delinquency list for property tax year 2008 on July 15, 2011. Lists provided to the department in the following year—July 15, 2012—would probably be similar to lists that would have been transferred in the prior year. However, many of these accounts will have accrued substantial increases in penalty and interest obligations. Hence, some portion of the revenue that would have been collected in FY 2012 would probably appear in subsequent years.

SIGNIFICANT ISSUES

TRD reported in 2007 that under current statutes, interest accrues on unpaid property taxes at the rate of 1% per month with no limit on the total amount that can accrue. The state also assesses a penalty of 1% per month, subject to a maximum amount of 5% of unpaid taxes. When taxes are paid on properties prior to transfer to the PTD for collection, penalty and interest amounts are retained by county treasurers. When properties are transferred to the PTD on a delinquency list, penalty and interest amounts, as well as costs associated with sales, are retained by the PTD, subject to appropriation by the Legislature.

In that same analysis, TRD indicated that the apparent intent of the bill is to allow counties time to develop enhanced collection units, which would increase penalty and interest paid to counties, and decrease revenues to the state. The intent of current statutes (Section 7-38-71 NMSA) in distributing penalty and interest to PTD, subject to appropriation by the Legislature, is to encourage counties to collect delinquent property taxes; if they fail to do so and it becomes necessary for PTD to collect them, counties forego penalty and interest.

ADMINISTRATIVE IMPLICATIONS

The bill may have and impact on the Property Tax Division of TRD. Under this bill, the revenue from penalty and interest would be reduced significantly for one year – the latter half of FY 2012 and the first half of FY 2013. Requests for additional appropriations from the general fund to offset this one year impact could be expected.

BE/bb