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FISCAL IMPACT REPORT

ORIGINAL DATE 03/04/09
LAST UPDATED 03/25/09 **HB** CS/261/aSFI#1

SPONSOR HBIC

SHORT TITLE Estimated Future Property Tax Info to Buyers **SB** _____

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	NFI	NFI		

(Parenthesis () Indicate Revenue Decreases)

Relates to HB34, HB160, HB269 and SB181

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SFI#1 Amendment

The Senate Floor amendment to the House Business and Industry Committee substitute for House Bill 261 adds some technical changes and also strikes any reference to the “listing packet” and amends the bill to allow for a copy of the assessor’s response pursuant to Subsection D to be given in writing to the prospective buyer or the buyer’s broker, as opposed to being included in the “listing packet”.

Synopsis of HBIC Substitute

House Business and Industry Committee Substitute for House Bill 261 amends the Real Estate Disclosure Act to require disclosure of estimated future property taxes to a buyer of residential real property. The seller of the property is required to obtain an estimate of property taxes from the county assessor based on the listing price for the property. The county assessor’s estimate is required to contain the current calendar years amount of property tax levied, the estimated amount for the property tax levy for the following calendar year, and a disclaimer that the estimated amount is calculated using the listed price and estimates of the applicable tax rates.

This bill also allows for a prospective buyer to waive the disclosure requirements of this section by signing a written document prior to the time the offer to purchase is to be made.

This bill also holds all real estate brokers and agents immune from suit and liability arising from or relating to the estimated amount of property tax levy.

This effective date of this bill's provisions is July 1, 2009.

FISCAL IMPLICATIONS

This bill is revenue neutral.

SIGNIFICANT ISSUES

The annual increase in the value of principal residences for property tax purposes is limited to 3 percent. This 3 percent limit does not apply in the year a home is sold, so the value for property tax purposes rises to its "current and correct" value. Because the cumulative effect of the 3 percent limit has resulted in valuations for many homes that are substantially below "current and correct", purchasers may pay substantially more property tax for a newly-purchased home than did the sellers.

ADMINISTRATIVE IMPLICATIONS

This bill could have an impact on county assessors, especially those in smaller counties. Because small counties may not have the capacity required to *quickly* respond to requests, there may be a delay in the response time required in Section 3, Subsection D.

RELATIONSHIP

This bill relates to:

- HB34 - requiring that a disclosure notice be attached to all residential title insurance policies issued in the state.
- HB160/SB181 - proposes to amend Section 7-36-21.2 NMSA 1978; Property Tax Code to eliminate the provisions requiring revaluation of residential property upon change in ownership.
- HB269 - establishes a statewide network of computer-assisted mass appraisal systems (CAMA) to the systems that are available to all county assessors and state agencies needing access to the data and functions of that network.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

By not implementing disclosure laws, purchasers will not be aware of the higher tax bill that will be imposed on the new buyer and may face potential financial hardships when faced with a property tax bill substantially higher than the prior owners.

BLG/mt:svb