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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/09

SPONSOR Heaton LAST UPDATED _____ HB 297

SHORT TITLE Property Tax on Mutual Domestic Associations SB _____

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	* See Narrative			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 297 amends the section of the Property Tax Code pertaining to the special method of valuation for certain property used in the transmission, storage, measurement or distribution of water. The bill adds a new subsection to exempt from valuation for property tax purposes commercial water property owned or sold by a nonprofit mutual domestic water association.

FISCAL IMPLICATIONS

The bill would impose minimal negative fiscal impacts on the State of New Mexico or local governments. Reductions in net taxable value caused by the exemption would, for the most part, be offset by very minor property tax rate increases applicable to essentially all taxpayers.

ADMINISTRATIVE IMPLICATIONS

This bill would have minimal impacts on the Taxation and Revenue Department.

TECHNICAL ISSUES

If property is not exempt under the state constitution, Article VIII, Sec. 3, the legislature cannot by statute make it exempt. The constitution only allows the legislature to make personal property exempt by statute. If all of the commercial water property is personal property and not real property, the legislature may enact a statute exempting the property.

BLG/svb

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc