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FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/09

SPONSOR Boitano LAST UPDATED _____ HB _____

SHORT TITLE Reduce Undeveloped Property Tax Ratio SB 333

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(See Narrative)			Municipal, County, School and other local governments receiving property tax revenues

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 333 provides a lower tax ratio of sixteen and two-thirds percent for undeveloped property. Under current law the tax ratio for property tax purposes is thirty-three and one-third percent. Undeveloped property is defined as “real property upon which no structures have been erected and that is not valued as land primarily used for agricultural purposes pursuant to Section 7-36-20 NMSA 1978”.

This bill is applicable to tax years beginning on or after January 1, 2010.

FISCAL IMPLICATIONS

TRD:

The reduction in the tax ratio of undeveloped property would cause the rates to go up (subject to existing caps and yield control) where possible, to raise the required amount of revenue. The outcome in each location would depend on the value of total undeveloped property in that location and the allowed increase in the rates for residential and non-residential properties in that location to at least partly compensate for the lower tax ratio on undeveloped real property.

BLG/mt

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