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FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/13

SPONSOR Martinez, R.C. LAST UPDATED _____ HB _____

SHORT TITLE Local Gov't Higher Ed Facility Property Tax SB 285

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
Unknown					Recurring	Rio Arriba County

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 285 adds a new section to the Property Tax Code to authorize certain counties to impose a property tax, not to exceed one dollar fifty cents on each one thousand dollars of net taxable value of property, for the purpose of acquiring, constructing, renovating or improving a facility of a four-year post-secondary institution located in the county. For purposes of this new section, "county" is defined to mean a class B county with a population of no less than forty thousand and no more than forty-five thousand according to the last federal decennial census.

Effective Date: Not specified; 90 days following adjournment).

FISCAL IMPLICATIONS

TRD notes that the tax levy is subject to voter approval, up to a maximum rate of 1.5 mills. Assuming the maximum rate of one dollar fifty cents (\$1.50) on each one thousand dollars (\$1,000) is approved by the voters, based on Rio Arriba County's net taxable value of \$1,651,095,304 in TY2012 and grew by 6.22 percent each year after (6.22 percent is the growth

rate of Rio Arriba County’s net taxable value in TY2012), the estimated revenue increase to Rio Arriba County will be \$2,631 thousands for FY2014, \$2,794 thousands for FY2015, \$2,968 thousands for FY2016, \$3,153 thousands for FY2017. The bill limits the imposition of the proposed tax to no more than eight years.

SIGNIFICANT ISSUES

This is facility specific legislation. The Higher Education Department believes that only Northern New Mexico College could benefit from this bill.

Typically, voter approved millage rates are not subjected to yield control in the rate setting process. TRD maintains that they should be, or at least the voters approving the rate, should have the option to make them subject to yield control as well as the statutory maximum for imposed rates.

The Higher Education Department notes: “While it is important for New Mexico higher education institutions to identify revenues in cooperation with all state university and community college partners, NMHED is concerned that voter tolerance for increase property taxes may be weak. This could lead to weakened support for existing tax levies”

TECHNICAL ISSUES

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate