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FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/13
 LAST UPDATED 03/11/13

SPONSOR SJC HB 289/SJCS/aSFC/
 SHORT TITLE 5-Year Senior Property Tax Freeze SB aHTRC

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
	NFI					

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 294

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The amendment inserts the word “knowingly” in the penalty provision.

Synopsis of SFC Amendment

The Senate Finance Committee amendment to the Senate Judiciary Committee substitute for Senate Bill 289 changes part of the title of the bill to “providing for an automatic application for...”

Synopsis of Original Bill

The Senate Judiciary Committee substitute for SB 289 amends Section 7-36-21.3 NMSA 1978 of the Property Tax Code to specify that existing value limitations shall be claimed in order to be allowed. An owner who applies for the limitation of value and provides proof of eligibility for three consecutive years immediately prior to the tax year for which the application is made need not claim the limitation for subsequent tax years if there is no change in eligibility. An owner has

been allowed the limitation of value specified in this section for the three consecutive tax years immediately prior to the 2014 tax year is not required to claim the limitation for subsequent tax years if there is no change in eligibility.

A person who has had a limitation and subsequently becomes ineligible because of a change in the person's status or income or a change in the ownership of the property against which the limitation was applied shall notify the county assessor of the loss of eligibility for the limitation by the last day of February of the tax year immediately following the year in which loss of eligibility occurs.

Any person who intentionally violates the provisions of this section or who fails to comply with the ineligibility notification requirement may be liable for any additional taxes due, interest and a civil penalty of three times the amount of additional taxes due.

Effective Date: Not specified.

SIGNIFICANT ISSUES

The New Mexico constitution mandates that all fines and forfeitures shall be deposited in the common school (general) fund.

ADMINISTRATIVE IMPLICATIONS

The TRD notes that this legislation reduces administrative demands by allowing county assessors to recertify claimants for five years versus the current annual.

TECHNICAL ISSUES

The TRD notes that the short title of this bill states that it provides for a five-year automatic application. The substitute bill language doesn't specify a five-year automatic application; it makes renewals automatic in most cases. The Property Tax Division (PTD) views this language as applicable to most cases because the bill is silent on the status of first time applicants who don't substantiate prior income eligibility. The PTD assumes that these applicants have to apply for three consecutive years, but the substitute bill is silent on this issue.

This bill results in automatic acceptance or continued valuation limitation rather than automatic application only.

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