

HOUSE BILL 229

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

Larry R. Scott

This document incorporates committee amendments adopted during standing committee(s) consideration of this measure. It is a tool to show the amendments in context and is not to be used for introduction, amendment or substitution.

AN ACT

RELATING TO TAXATION; ~~REQUIRING~~ CLARIFYING THAT A CONTRIBUTION MADE TO A UTILITY FOR THE EXPANSION, IMPROVEMENT OR REPLACEMENT OF SERVICE OR A FACILITY OF THE UTILITY ~~SHALL NOT BE~~ IS NOT SUBJECT TO VALUATION FOR PROPERTY TAX PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-36-29 NMSA 1978 (being Laws 1975, Chapter 165, Section 10) is amended to read:

"7-36-29. SPECIAL METHOD OF VALUATION--PROPERTY USED FOR THE GENERATION, TRANSMISSION OR DISTRIBUTION OF [ELECTRICAL] ELECTRIC POWER OR ENERGY.--

A. ~~Except as provided in Subsection C of this section, all~~ All property used for the generation, transmission or distribution of [electrical] electric power or energy subject to valuation for property taxation purposes shall be valued in

.203155.1 Amendments in Context

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accordance with the provisions of this section.

B. As used in this section:

(1) "depreciation" means straight line depreciation over the useful life of the item of property;

(2) "electric plant" means all property situated in this state used or useful for the generation, transmission or distribution of electric power or energy, but does not include land, land rights, general buildings and improvements, construction work in progress, materials and supplies and licensed vehicles;

(3) "construction work in progress" means the total of the balances of work orders for an electric plant in process of construction on the last day of the preceding calendar year exclusive of land, land rights and licensed vehicles;

(4) "general buildings and improvements" means buildings of the nature of offices, residential housing, warehouses, shops and associated improvements in general use by the taxpayer and not directly associated with generation, transmission or distribution of [~~electrical~~] electric power or energy;

(5) "materials and supplies" means the cost, including sales, use and excise taxes, and transportation costs to point of delivery in this state, less purchases and trade discounts, of all unapplied material and supplies on hand in

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this state as of December 31 of the preceding calendar year;
and

~~[(6) "other justifiable factors" includes, but is not limited to, functional and economic obsolescence, such as the limitation upon the use of the property based upon the available reserves committed to the property; and~~

~~(7)]~~ (6) "tangible property cost" means the actual cost of acquisition or construction of property ~~to the utility generating, transmitting or distributing electric power~~, including additions, retirements, adjustments and transfers, but without deduction of related accumulated provision for depreciation, amortization or other purposes;
"tangible property cost" excludes the cost of property contributed to, or acquired or constructed with funds contributed to, a utility by a customer or potential customer for the expansion, improvement or replacement of service or a facility of the utility.

~~————— C. The department shall not value the following:~~

~~————— (1) property contributed to a utility for the expansion, improvement or replacement of service or facility of the utility; and~~

~~————— (2) that portion of property that is acquired or constructed with funds contributed to a utility for the expansion, improvement or replacement of service or facility of the utility.~~

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[G-] ~~D~~C. An electric plant shall be valued as follows:

(1) the department shall determine the tangible property cost of the electric plant;

(2) such tangible property cost shall then be reduced by the related accumulated provision for depreciation and any other justifiable factors, including functional and economic obsolescence, such as the limitation on the use of the property based on the available reserves committed to the property; and

(3) notwithstanding the foregoing determination of value for property taxation purposes, the value for property taxation purposes of an electric plant shall not be less than twenty percent of the tangible property cost of the electric plant.

[D-] ~~E~~D. The value of construction work in progress shall be fifty percent of the amount expended and entered upon the accounting records of the taxpayer as of December 31 of the preceding calendar year as construction work in progress.

[E-] ~~F~~E. The value of materials and supplies shall be the tangible property cost for such property as of December 31 of the preceding calendar year.

[F-] ~~G~~F. Each item of property having a taxable situs in the state and valued under this section shall have its net taxable value allocated to the governmental units in which

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the property is located.

[G.] ~~HC.~~ The department shall adopt regulations under Section 72-31-88 NMSA 1953 to implement the provisions of this section."

~~SECTION 2. APPLICABILITY. -- The provisions of this act apply to taxable years beginning on or after January 1, 2016.~~

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