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## FISCAL IMPACT REPORT

SPONSOR Fajardo/Baldonado/ ORIGINAL DATE 2/9/2018  
Armstrong G/Baca LAST UPDATED 2/10/2018 HJM 24

SHORT TITLE Study Taxation of Abandoned Properties SB \_\_\_\_\_

ANALYST Edwards

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$10.0	\$10.0	NFI	\$20.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Related to HB 88, SB 109.

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Memorial

House Joint Memorial 24 requests the Taxation and Revenue Department (TRD) Property Tax Division (PTD) study and make recommendations to update provisions of the Property Tax Code related to the taxation of abandoned properties. The memorial specifically asks TRD to focus on a collaborative effort to rehabilitate property abandonment and the tax consequences of abandonment.

The memorial requests PTD to request assistance, have dialogue with, and collect data from interested stakeholders, including state, tribal, pueblo, land grant, and local governments, the Association of Counties, the Municipal League, the Economic Development Department, universities, and agricultural and livestock organizations. The memorial requests PTD request legal assistance from the Attorney General.

The memorial requests PTD report its findings and recommendations on or before August 1, 2018, to the Economic and Rural Development Interim Committee, the Land Grant Interim Committee, and the Indian Affairs Interim Committee.

## FISCAL IMPLICATIONS

TRD explains “inspecting and researching the relevant properties and the adjoining Land Grants, Tribes and Pueblos will require significant travel. This was calculated by estimating that travel will be roughly twenty-four weeks of Per Diem expense for PTD employees (\$390 X 24 weeks) \$9,360 and incidental reimbursable expenses increasing that total to \$10,000. Existing maps, surveying information and title documents are expected to cost \$5,000. This assumes that the most of the data exists and is for sale, but some information will be on Mylar or paper maps that haven’t been digitized. Significant modern GIS mapping will be performed internally, but we have assumed supplementing our internal resources with a consultant at \$50 per hour for 100 hours, or, \$5,000. This translates to a \$20 thousand cost distributed across FY18 and FY19. Soft employee costs are not included in this calculation.”

## SIGNIFICANT ISSUES

The number of organizations that could fall under the purview of this memorial is large. According to the Commission of Public Records’ Office of the State Historian, 31 land grants are recognized by the New Mexico Legislature. The Indian Affairs Department (IAD) website states there are 23 tribes located in New Mexico as well as the Navajo Nation.

TRD states:

Current statute allows for PTD to auction years-long delinquent properties for taxes owed. In general, this is good tax policy, as it brings property back into revenue generation for local governments and also can transfer property to owners who are more likely to economically develop the property for residential or non-residential purposes. However, long standing, large, failed residential subdivisions present unique difficulties. The individual lots are difficult to sell for taxes owed, and the tax delinquency recidivism rate on such properties is high. Also, PTD incurs significant expenses following statute-mandated processes for selling the individual properties.

The problem is that the current statutory method of handling delinquent accounts are insufficient to resolve the high percentage of abandoned properties in these large, failed subdivisions. The memorial provides a much needed framework to address the issues stated here, and address the approaches in HB-88 (duplicated in SB-109) and substitutes. The procedures called for in the House and Senate Bills constitute significant changes in the method of sales and the categorization of property tax delinquencies. However, the goal of both the bills and the memorial is to return economic relevance to these abandoned properties; it is only the approaches that need to be reconciled.

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