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FISCAL IMPACT REPORT

ORIGINAL DATE 2/11/18
SPONSOR SCORC **LAST UPDATED** _____ **HB** _____

SHORT TITLE Tax Delinquent Property Sales **SB** 109/SCORCS

ANALYST Romero

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
\$0.0	See Fiscal Implications	\$100.0	Recurring	PTD – Operating Revenue

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$300.0	\$600.0	\$600.0	\$1,500.0	Recurring	PTD - Operating

(Parenthesis () Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to
HJM 24 and HB 88

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department

SUMMARY

Synopsis of Bill

The Senate Corporations and Transportation Committee substitute for Senate Bill 109 changes the Property Tax Code to add a definition for abandoned real property. The bill also amends the notice of sale requirements and procedure for sale of real property for delinquent taxes. The bill includes an additional notification by first class mail, timeliness requirements for the payment of the delinquent taxes, penalty and interest on the properties to be made to the Taxation and Revenue Department (TRD), allows for online sales of abandoned real property, and also for

land grant merced to have a right of first offer to abandoned properties within their boundaries. New material is also added to Section 7-38-67 NMSA 1978, titled “Sale of abandoned real property—notice of sale—requirements’ is added.

FISCAL IMPLICATIONS

According to TRD:

“Revenue impacts of the legislation are difficult to estimate because they depend on a market for property that has been difficult to sell in the past. TRD assumed an effort to sell 4300 abandoned properties, as is assumed below in the operating budget estimate. In the past, about 5% of such abandoned properties have sold in such efforts. In addition, TRD further assumed that an additional 5 percent would sell because of preferential notification to land grant-merced and online exposure and 5 percent more would sell because TRD would have reduced the price to half of taxes, penalties, interest and fees. By statute, TRDs Property Tax Division (PTD) receives penalty, interest and fees for internal operating funds, and the base owed tax is distributed to the county treasurers. Because county treasurers cannot supply lists of abandoned property to the department until January 1, 2019, and the department must first make good faith efforts to sell properties to land grants, it was assumed that no revenue will be achieved until fiscal year 2020.”

SIGNIFICANT ISSUES

TRD also noted the following:

“In general, selling of years-long delinquent properties is good tax policy. It brings revenue to local governments and also can transfer property to owners who are more likely to economically develop the property. However, current statutory methods have historically failed when dealing with large failed subdivisions where the sub-divided property has little inherent value. The bill attempts to address these issues by allowing lower prices, online sales and right of first offer to land grant-merced. Most importantly, it provides additional tools not available in the current statutory framework as options to assist in resolving the problem abandoned property.

However, current statutes have allowed land grant-merced to match the highest offer or make their own offers and still few have sold. Indeed, few bids of any kind are made on such property and the tax delinquency recidivism rate is high on those properties that do receive offers.

It does not appear that the bill addresses the base issue of the sub-divided properties in large failed subdivisions having little inherent value. For this reason TRD recommends following the approach in House Joint Memorial 24, which authorizes a study in how to deal with such abandoned properties from a larger statutory and economic level.

For this bill, the result is that the estimated costs are significantly higher than the estimated revenues. Although the revenues are based on rough estimates because of the unknowability of real estate markets, past experience in this area shows that the loss will still be significant.”

ADMINISTRATIVE IMPLICATIONS

TRD suggests there will be additional budget impact, assumes an effort by PTD to sell 4,300 abandoned properties per year. PTD will require collaborative support from the affected counties and additions to our staff. PTD will require internal and external attorney support, estimated at \$150,000 per year, FTE or contracted equivalent of five additional title examiners, which we estimate at \$350,000 per year and one full time GIS expert and technical assistance for our sales website, which we estimate at \$100,000 per year for a total of \$600,000 per year as regulated by appropriations and budget authority from the legislature each year.

TECHNICAL ISSUES

TRD notes it may be difficult if not impossible to meet the notification guidelines specified in Section 7-38-66 NMSA 1978 (as modified in Section 2) for online abandoned property sales. Because the sale may be continuous until December 31 of the year the property is offered (Section 3-D), the window of between 20-30 days notification of sale specified in Section 7-38-66 NMSA 1978 is unworkable. TRD suggests changing the requirement for abandoned properties to be 20-30 days before the date the property is offered for sale online.

IR/jle