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FISCAL IMPACT REPORT

ORIGINAL DATE 02/17/21

SPONSOR Woods LAST UPDATED _____ HB _____

SHORT TITLE Property Tax “Residential Property” SB 283

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24	FY25		
No Fiscal Impact						

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Minimal Decrease	Minimal Decrease	Minimal Decrease	Recurring	County Assessors

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 283 would limit the applicability of the disclosure of estimated property taxes based on listed prices to real property consisting of one to four dwellings. This excludes units of more than four units and manufactured homes. The bill further excludes from disclosure structures used for temporary or transient human habitation, including hotels, motels or similar structures.

The disclosure of estimated property taxes based on listed prices is not the same provision as the disclosure of final selling prices in Section 7-38-12.1 NMSA 1978 which has immeasurably aided county assessors in improving the valuation of residential properties.

There is no effective date of this bill. It is assumed that the effective date is 90 days after this session ends. (June 18, 2021). This would affect disclosure of any excluded sales after the effective date of the act.

FISCAL IMPLICATIONS

This bill has no direct fiscal impact. However, disclosure of property sales of vacant land, mobile homes, land used for agricultural purposes and of large rental residential properties aids county assessors in accurately determining the value of these properties for property tax purposes.

SIGNIFICANT ISSUES

The Real Estate Disclosure Act (Sections 47-13-1 through 47-13-5 NMSA 1978) requires real estate brokers to apply to county assessors and have the county assessor provide a written estimate of the amount of property taxes that will be due on a residential property the following year after sale. This disclosure was enacted in 2003 and was largely enacted because of the 3 percent assessment limit (Section 7-36-21.2 NMSA 1978) which was enacted in 2000. With the 3 percent annual cap in place, there could be a dramatic increase in taxes assessed to the new owner. The purpose provision of Section 47-13-4 NMSA is instructive:

A. The legislature finds that property tax levied on a residential property for the current year can be a misleading guide to property tax levies in the years following the sale of that property and that a prospective buyer needs information regarding the property tax obligation in the year following the property's sale to properly judge the affordability of a contemplated purchase.

It appears the purpose of bill is to restrict the property tax disclosure requirement to properties where this purpose applies.

Enumerating land used for agricultural purposes as an exemption to property tax disclosure is interesting. Special agricultural valuation is based on the productive capacity of the land. Many agricultural properties include a residence or barn or other improvements. Pursuant to Section 7-36-20 NMSA 1978, these improvements are separately valued and added to the valuation based on agricultural productivity. Excluding special method agricultural properties that include residential structures may conflict with the purpose clause of the Real Estate Disclosure Act. Although the exclusion may be necessary because the county assessor could not anticipate that the land after sale would still qualify for the agricultural special method and would provide the property tax estimate based on highest and best use of the property.

ADMINISTRATIVE IMPLICATIONS

The provisions of this bill would slightly decrease county assessor's workload, since the base of required disclosure requests would be slightly restricted.

TECHNICAL ISSUES

The bill specifically enumerates for exclusion mineral properties subject to the special valuation methods of Sections 7-36-23 through 7-36-25 NMSA 1978. It would seem that these properties only incidentally would have residential structures involved.

LG/rl/al