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SECTION 7-37-7 NMSA 1978 PROPERTY TAX LANGUAGE

Local taxing authorities are allowed to impose tax rates, and when tax rates are imposed, they apply equally to residential and nonresidential properties. The New Mexico Department of Finance and Administration's (DFA) Local Government Division recalculates the imposed county tax rates using the yield control formula to the correct/actual rates (not defined in statute) based on taxable values, inflation and growth control variables. DFA's application of the yield control formula is applied separately to residential and nonresidential properties thus resulting in differences between residential and nonresidential rates among properties in the same tax jurisdiction. The DFA computed rate is the rate that appears on the Tax Certificate. The yield control formula, whose purpose is to limit revenue growth as a result of increased values also limits taxing authority's ability to decrease or maintain prior year tax rates. Actions, such as the 3% residential cap and valuation maintenance (also not in statute), has complicated the expected results of the yield control formula.

Proposal:

Request that the legislature approve a memorial appointing a committee of state and local economic and finance professionals tasked to develop a mechanism allowing taxing authorities the ability to decrease or maintain prior year tax rates while still maintaining the intent of the property tax law. In addition, the committee must establish a list of financial and economic criteria that must be met by the local government entity and reviewed and approved by DFA prior to approving the local government budget.