

1 SENATE BILL 654

2 **52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

3 INTRODUCED BY

4 John Arthur Smith

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10 AN ACT

11 RELATING TO TAXATION; ELIMINATING A REQUIREMENT THAT THE VALUE
12 OF ITEMS OF PROPERTY SUBJECT TO DEPRECIATION NEVER BE LESS THAN
13 TWELVE AND ONE-HALF PERCENT.

14
15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

16 SECTION 1. Section 7-36-33 NMSA 1978 (being Laws 1975,
17 Chapter 165, Section 14, as amended) is amended to read:

18 "7-36-33. SPECIAL METHOD OF VALUATION--CERTAIN INDUSTRIAL
19 AND COMMERCIAL PERSONAL PROPERTY.--

20 A. The following kinds of property shall be valued
21 for property taxation purposes in accordance with the
22 provisions of this section:

23 (1) all property used in connection with
24 mineral property and defined in Paragraph (1) of Subsection B
25 of Section 7-36-23 NMSA 1978 and Paragraph (1) of Subsection B

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1 of Section 7-36-25 NMSA 1978;

2 (2) all industrial, manufacturing,
3 construction and commercial machinery, equipment, furniture,
4 materials and supplies subject to valuation for property
5 taxation purposes and not subject to valuation under the
6 provisions of Sections 7-36-22 through 7-36-32 NMSA 1978;

7 (3) all other business personal property
8 subject to valuation for property taxation purposes and not
9 subject to valuation under the provisions of Sections 7-36-22
10 through 7-36-32 NMSA 1978; and

11 (4) construction work in progress that
12 includes any of the items of property specified in Paragraphs
13 (1), (2) [~~or~~] and (3) of this subsection.

14 B. As used in this section:

15 (1) "depreciation" means the straight line
16 method of computing the depreciation allowance over the useful
17 life of the item of property;

18 (2) "useful life of the item of property"
19 means the "class life" for same or similar kinds of property as
20 defined and used in Section 167 of the United States Internal
21 Revenue Code of 1954, as amended or renumbered;

22 (3) "other justifiable factors" includes, but
23 is not limited to, functional and economic obsolescence;

24 (4) "schedule value" means a fixed value of an
25 individual property unit within a mass of similar or like units

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1 established by determining the average unit tangible property
2 cost of a substantial sample of such property and deducting
3 therefrom an average related accumulated provision for
4 depreciation per unit and an average of other justifiable
5 factors per unit;

6 (5) "tangible property cost" means the actual
7 cost of acquisition or construction of property, including
8 additions, retirements, adjustments and transfers, but without
9 deduction of related accumulated provision for depreciation,
10 amortization or other purposes; and

11 (6) "construction work in progress" means the
12 total of the balance of work orders for property in process of
13 construction on the last day of the preceding calendar year but
14 does not include the equipment, machinery or devices used or
15 available to construct such property but not incorporated
16 therein.

17 C. The value of individual items of property
18 subject to valuation under this section, except construction
19 work in progress, shall be determined as follows:

20 (1) the valuation authority shall first
21 establish the tangible property cost of each item of property;
22 and

23 (2) from the tangible property cost shall be
24 deducted the related accumulated provision for depreciation and
25 any other justifiable factors [~~and~~

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1 ~~(3) notwithstanding the foregoing~~
2 ~~determination of value for property taxation purposes, the~~
3 ~~value for property taxation purposes of each item of property~~
4 ~~valued under this subsection shall never be less than twelve~~
5 ~~and one-half percent of the tangible property cost of such item~~
6 ~~of property so long as the property is used and useful in a~~
7 ~~business activity].~~

8 D. Construction work in progress shall be valued at
9 fifty percent of the actual amounts expended and entered upon
10 the accounting records of the taxpayer as of December 31 of the
11 preceding calendar year as construction work in progress.

12 E. The ~~[division]~~ department may establish a
13 schedule value for the same or similar kinds of property to be
14 valued under Subsection C of this section for property taxation
15 purposes. In arriving at a schedule value, the ~~[division]~~
16 department shall:

- 17 (1) determine the average unit tangible
18 property cost of a substantial sample of the same or similar
19 kinds of property;
- 20 (2) such unit average tangible property cost
21 shall then be reduced by the average related accumulated
22 provision for depreciation per unit applicable to the sample of
23 the same or similar kinds of property and shall then be further
24 reduced by an average of other justifiable factors per unit
25 applicable to the same or similar kinds of property; and

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1 (3) from the foregoing determination, a
2 schedule value for the same or similar kinds of property shall
3 be determined and set forth in a regulation ~~[adopted pursuant~~
4 ~~to Section 7-38-88 NMSA 1978]~~.

5 F. The ~~[division]~~ department shall adopt a schedule
6 value for the following kinds of property:

- 7 (1) drilling rigs; and
8 (2) large off-the-road highway construction
9 equipment.

10 G. Each item of property having a taxable situs in
11 the state and valued under this section shall have its net
12 taxable value allocated to the governmental unit in which the
13 property is located.

14 H. The ~~[division]~~ department shall adopt
15 regulations ~~[under Section 7-38-88 NMSA 1978]~~ to implement the
16 provisions of this section."

17 **SECTION 2. EFFECTIVE DATE.**--The effective date of the
18 provisions of this act is January 1, 2016.