

Dealing with Rising Land Values

Property Tax Assessments and How to Establish and Maintain Your Agricultural Exemption

Let me start by saying that I've been with Taos County for 20 years. The first year I was with Taos County, I was the Assistant County Planner, and right after the first year with the county, I went into the reappraisal office and I've been there ever since. I've been the Chief Appraiser for right at 18 years. I'm also the GIS coordinator for the county, where we're building a computerized parcel map of the entire county. We're actually mandated by state statute to do this, but we're real excited about it, because one of the things that we're finding is that Taos County is growing so fast that we have to find new ways and means of keeping track of the inventory of all the property that we're supposed to be assessing.

One of the things that we now have the capability of doing is what we call "geo-reference mapping," meaning that you can take measurements off of it, and they're accurate to within about a meter. We're trying to get that accuracy even better as we work on this. We currently have 63,000 parcels in Taos County--that's what we're working with. And one of the things that I'm going to address here is some of the land ownership in the county and how much of that is agricultural. We

have approximately 551,000 acres of privately owned property in Taos County. Taos County is made up of approximately 1.4 million acres of land, but a lot of that land is Forest Service and BLM land. We're pretty limited in Taos County in privately owned property, and so I just wanted to give you an idea, even though the county seems big itself, only about a third of that is truly able to be owned by individuals (see Appendix B).

Of that 551,000 acres of privately owned property, currently about 260,000 acres is in grazing land, and that information is based on people who have come to our office and applied for grazing classification. Of that 260,000 acres, about 396 properties are involved.

We currently have 22,713 acres that are claiming irrigated agricultural status. That's about 4,089 property owners. We have 36,438 acres of property that's being claimed as "dry-land agricultural." That's where people are doing some type of farming or grazing of property; their property's not big enough to meet the "grazing" criteria, which is a minimum of 80 acres, and they don't have the means of irrigating this property. An interesting note that I

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wanted to bring up--currently approximately 58 percent of Taos County is in "agricultural" classification. In 1990--I kept track of this consistently in 1990--72 percent of the county was claiming agricultural classification. So as you can see, we have a lot of property that is being removed from the "agricultural" status. Either folks are moving it into a "development" status, or they just stop using it. One of the things that the state statute requires is that the property has to continuously be in use in order for it to qualify for agricultural classification.

The Taos Valley, which runs from approximately just north of the Arroyo Hondo/Valdez area, to just south of the Llano Quemado area, is made up of about 64,000 acres. Keep in mind that, with the 551,000 acres of privately owned property, 319,000 of those acres being agricultural, we've got approximately 212,000 acres that are developable or in the process of being developed. Approximately 70 percent of the entire Taos County tax base is dependent on that 64,000 acres that makes up the Taos Valley. That Taos Valley is about 18 percent of the entire privately owned property of Taos County, and yet it's carrying the majority of the development and population that's taking place.

The responsibility of the County Assessor's Office is to discover and value, for tax purposes, all taxable property. That

means all property that is not owned by a government entity or that does not fall under a tax-exempt status--meaning that it's religious, educational or owned by a charitable organization. We are currently required by state statute to reappraise the 63,000 parcels every two years, and it amazes me how the county has grown. In 1985, when we started the first reappraisal of the county, we had \$106,336,000 tax base. That's one-third of the full appraised value. As of 2003, we had a \$716,000,000 tax base. Basically that means we've had an increase in full value from 1985 to the present of about \$1,830,000,000 in value. That's due to development, to increasing market values and so on.

A couple of the other speakers talked a little bit about the rising values that we're seeing, and El Salto was mentioned at approximately \$100,000 per acre, Des Montes and Arroyo Seco, \$80,000-\$90,000 an acre. As the development continues to take place and the properties are split up more and more, we see the land value increase more and more. If you look at the town of Taos for example, very seldom does anyone even buy an acre of land anymore; usually it's a quarter-acre or three-tenths of an acre, something like that. If you look at the sale price and translate that back into a per-acre value, they're paying anywhere from \$160,000 to \$200,000 per acre on property within the Taos city

limits. And of course a lot of those buyers, like I said, won't buy an acre, they'll buy a quarter acre or whatever zoning allows them to do.

The 2000 census showed \$108,000 as the median-price home in the state of New Mexico. Taos County is the third highest in the state at \$150,000, but sometimes this information can be a little deceiving, because a lot of it is dependent on how many sales you have, what the standard deviation is and all the other statistical means of measurement. I started looking Thursday and Friday at what sales are actually doing within Taos County. The Multiple Listing Service, for example, shows that the average-price home in Taos County last year, 2003, was \$230,000, and the census is showing \$150,000, so you can see that there's a considerable discrepancy. So we're showing the average-price home last year was \$230,000, the median-price home last year was \$212,000, and the highest-priced home in the Multiple Listing Service for 2003 was \$884,000. So you can see that we're having some substantial increases in real estate values.

Kind of as a side note, I was born and raised in Taos. I left for a while and then wound up coming back. Thirty-six years ago, at the age of 11, I can remember getting on my horse and riding the entire Taos Mesa, and there were maybe two houses up there. Those

people had lived there probably as long as I had been alive. I could ride from Taos Mesa all the way to the Gorge Bridge on horseback. There weren't fences, there weren't houses. Nobody bothered you; you were just out exploring the countryside. Nowadays, if you drive Taos Mesa, you'll see that's an impossibility anymore. So that also shows how fast we're growing.

Let's touch on the actual statutes that address the agricultural classification. The County Assessor's Office requires that property owners come in and apply for the agricultural classification. They can apply for one of three categories--grazing land, irrigated land or the dry land. The property owner is required to keep the property in use, agriculturally, and the burden of proof falls on the property owner to prove that to the Assessor's Office. Page eight of this presentation is an actual application that we have the property owner fill out. Basically, just to give you an idea, if you're applying for anything with irrigated land status, number one you have to have water rights and you have to be actively irrigating the property. You have to be planting or have something that's self-seeding, but you have to be harvesting something off the property as well. Dry-land status is basically the same thing except that you don't have the water rights and you don't have the ability to irrigate the property.

When you get into the grazing-land status, it's a little bit more involved in that you have to have a minimum of 80 acres. You also have to be assessing livestock, because New Mexico requires that you pay taxes on your livestock as well. If you don't have livestock, you do have the ability to lease your property to someone who has livestock and still qualify, as long as the people you're leasing to are assessing their livestock in the Assessor's Office.

Grazing land value, regardless of what the market's doing--meaning your market value can be \$25,000 or \$30,000 an acre or what have you--if you have 80 acres of land and you have animals you are assessing on the land and you can qualify for this grazing-land status. That reduces your land value to \$3.99 an acre. Your taxes on that property are approximately three cents an acre. This is a spin off of the actual Greenbelt Law that was passed by the federal government, and it was done to encourage people who were in the farming and ranching lifestyle to continue that lifestyle and to continue to contribute to the nation's food chain and so on. That same item with irrigated land status is \$481 per acre. So, for example, if you have property in El Salto or Des Montes or these high-dollar areas, if you have water rights and you're irrigating that property and using it, your value goes down to \$491 per

acre. Your taxes on that are approximately \$3.17 per acre. On the dry-land value, it's \$115 per acre, so you're looking at about 74 cents per acre in taxes. And the only thing that has to happen is that you must continue to use the property agriculturally.

In the past, we've had a couple of different administrators at the state level--the director of taxation and revenue and people in that field of work--who actually talked about changing the statutes and moving us to a highest and best use analysis to determine how we should value this property. That's how a regular fee appraiser will appraise your property--they look at the highest and best use and determine how to value it. Well, they are looking at the state level at maybe making us do this, too. When that happens, if that happens, we have a serious problem, because obviously, the highest and best use is going to be to develop it for residential purposes. And if that's the case, then we wind up having to value it as residential property or developable property, whether it's being used for agricultural purposes or not. Now, we've actively fought this over the past probably four or five years, and so far it hasn't changed. We just got a new director for taxation and revenue, as of about a week ago, and he seems to be following some different avenues, and so for the time being it looks like

we're safe.

I'd like to touch on a couple of other things. For years and years, we have attempted to get a disclosure law passed in the State of New Mexico, and it's been difficult. I know we've fought it for at least eight to ten years. Finally, last year, we got a disclosure law passed, and it affects residential property only, which means that if you sell any property as of January first of this year, you now have to disclose to the Assessor's Office your purchase price and the terms of the sale.

A couple of other things is that we've worked hard knowing that the real estate prices are moving up drastically. We got a limitation evaluation on residential property, which means regardless of what the market is doing, the county cannot increase your value by more than 3 percent per year. And there are a couple of different exceptions to that, one of which is that, if your zoning changes, the property is automatically reappraised. The same is true if you sell the property. If the use of the property changes--meaning it was rental property but now you're the owner/occupant of that property--it automatically goes into reappraisal and so on. We're optimistic that will work, and I guess only time will tell.

The last thing that I wanted to mention in conjunction with that is the limitation on increase of value for folks who are 65 or older and make \$19,000 or less

per year. You can actually have the value of your residential property frozen, and it will not even increase the 3 percent. We're working on that. We got that in place at the legislative level. We also included a disability clause, meaning that, if you're disabled and you make \$19,000 or less, regardless of your age, you can qualify to have the property value frozen.

