

How Tax-Friendly is Your City?

New Mexico's 10 Largest Cities Ranked by Tax Burden (Third Edition)

By Maya Gold and Paul Gessing

Benjamin Franklin once said, "Certainty? In this world nothing is certain but death and taxes." While people can't do much to avoid the inevitability of the former, there is an extreme range of the latter. Due to the relative autonomies of the county, city, state, and federal levels of taxation, location is inherently interlinked with the amount of money sequestered by the government. The Tax Foundation calculates a state-by-state range from 6.4% of income to 11.8% of income,¹ and the top twenty highest-taxed zip codes in the nation show whopping percentages of up to 31%.

Taxes are a hot-button issue, and their influence on everything from business growth to migration is hotly contested. However, it is undeniable that individuals are keenly interested in the amount of money they are paying, especially in times of economic upheaval. Rasmussen Reports from April 15, 2011 show that 59% of polled Americans say that taxes are very important as a voting issue. 2/3rds of those polled think that Americans are overtaxed.³

One way to protest or counteract this taxation, then, is to relocate to areas of the country that have a lower tax rate. This is a complicated concept for many reasons, least of which is how to accurately gauge the tax rate of a city. This report aims to provide a comprehensive analysis of the tax policy of the ten largest cities in New Mexico (table 1).

The Rio Grande Foundation published the original tax-friendliness study in 2007. This 2011 study uses the same methodology as the 2009 update. To provide a comprehensive view of tax-friendliness, the study analyzes the two main forms of tax on the individual: property tax and gross receipts tax.

Table 1. 2010 Population of New Mexico's 10 Largest Cities

(These cities account for almost half of New Mexico's population.)

City	Population
Albuquerque	545,852
Las Cruces	97,618
Rio Rancho	87,521
Santa Fe	67,947
Roswell	48,366
Farmington	45,877
Clovis	37,775

Hobbs	34,122
Alamogordo	30,403
Carlsbad	26,130

Property Taxes

The New Mexico Department of Taxation and Revenue separates property taxes into five main categories: state, county, municipal, school district, and other. Within these categories, rates are either operational or non-operational. Revenues from operational rates are used by each county, municipality, and school district for purposes such as equipment, salaries, and facilities. These rates are decided by county commissions, municipal councils, and school boards, but are subject to yield control.⁴ Non-operational rates are mainly debt service for bonds, but also include services such as a local hospital or soil and water conservancy. All non-operational rates are determined by voters but are subject to limitations.⁵

New Mexico collects property tax at both the state and local level, although local governments collect a considerable amount more than the state. In 2006, local governments collected over fifteen times what the state government did in property tax.⁶

Property tax rates are often expressed as a millage rate. A rate of 37.000 mills, for example, means that for every \$1000 of net taxable value, \$37 in taxes is collected.

The following information assumes that property is taxed at the full value. This is not always the case and variation can alter the actual amount of taxes paid.

Table 2. 2010 Residential Property Tax Rate by City

City	Tax Rate
Rio Rancho	35.411
Roswell	30.063
Albuquerque	29.709
Las Cruces	27.868
Hobbs	27.430
Alamogordo	25.433
Clovis	24.957
Carlsbad	23.095
Farmington	22.897
Santa Fe	18.360

Because home values are not uniform across cities, it is not possible to make any conclusions about average property tax burdens from the data in Table 2. Median home values for each city,

along with property tax rates, are needed to compare average property tax burdens between cities.

The methodology for calculating the property tax burden of a home is uniform across the state. A home’s taxable value is equal to 1/3 of its appraised value. Net taxable value is determined by subtracting a head of household exemption of \$2,000— and, if applicable, a veteran’s exemption of \$4,000—from the taxable value.⁷ The net taxable value is then multiplied by the millage rate to get residential property tax burden. Table 3 shows a sample calculation for an Albuquerque home worth \$120,000 using the 2008 local millage rate.

Table 3. Calculation of Residential Property Tax Burden

Assessed Market Value	
\$120,000.00	
Taxable Value (1/3 of assessed value)	\$40,000.00
Less Exemptions:	
Head of Household	-\$2,000.00
Veteran (Normally \$4,000)	-\$0.00
Net Taxable Value	
\$38,000.00	
Multiply NTV by Millage Rate	
(29.709)	x .029709
Average Property Tax Burden	\$1,129.48

In 2000, legislature was passed by the state to protect homeowners from large spikes in home value. Beginning in tax year 2001—aside from a few special cases—a home’s assessed value can only rise by 3% each year, regardless of the home’s actual market value.⁸ If the property changes ownership due to a sale, in the subsequent tax year, the assessed market value is set to the sale price. This situation is often referred to as “tax lightning”, and it can cause new homeowners to pay substantially higher property taxes than their neighbors do. While this study calculates property tax burden by assuming houses are assessed at market value, the assessed value may be lower because of the 3% cap. Thus, actual property tax liability for homeowners will tend to be less than the property tax liability calculated in this study.

It is important to note that in August 2009, Second Judicial District Judge Theresa Baca ruled that the inequality caused by tax lightning violates New Mexico’s Constitution.⁹ The ruling may be appealed, but even if not, it is unclear what its effects will be. The issue will be up for debate in the next legislative session, and one possible solution is to have the 3% cap apply regardless of if the property is sold or not. Another potential solution is to abolish the 3% cap, which would raise all property values previously protected by the cap. The situation is in flux.

Table 4 shows the results of using estimated 2010 median home sales price data via city-data.com to calculate the median residential property tax burden.

Table 4. Estimated 2010 Tax Burden of Median Residential Property by City

City	Median Home Value	Millage	Tax Burden
Rio Rancho	\$183,300	34.595	\$2,044
Santa Fe	\$306,400	18.36	\$1,838
Albuquerque	\$189,700	29.709	\$1,819
Las Cruces	\$155,400	27.868	\$1,388
Farmington	\$183,375	22.897	\$1,354
Alamogordo	\$101,030	25.433	\$806
Hobbs	\$93,012	27.430	\$796
Roswell	\$85,101	30.063	\$793
Clovis	\$96,112	24.957	\$750
Carlsbad	\$89,805	23.095	\$645

Gross Receipts Tax

New Mexico’s gross receipts tax is a tax on businesses for sales and the performance of services. For consumers, gross receipts tax functions much like a sales tax, as businesses can often pass the whole tax onto consumers.¹⁰ This study assumes that businesses in New Mexico pass the whole gross receipts tax onto consumer expenditures.

Gross receipts tax is comprised of three rates—state, county, and municipal—and thus varies from city to city. The state charges a rate of 5% and county and municipal rates are determined by county commissions and municipal councils, respectively.¹¹ While local governments collect less revenue from gross receipts tax than from property tax, they still rely on them to generate roughly one quarter of yearly taxation revenue.¹²

Table 5 (below) illustrates the methodology used to calculate the average gross receipts tax burden of a consumer in each city. Consumer expenditure data from the Bureau of Labor Statistics was used to determine the proportion of expenditures consumers spend on gross receipts taxable goods.¹³ Food, shelter, and gasoline expenditures, which are non-taxable under New Mexico’s gross receipts tax system, were omitted in consumption calculations.

Table 5. Calculation of Average GRT Burden, Albuquerque

2009 Estimated Per Capita Personal
Income \$24,597
Proportion of GRT Taxable
Expenditures x 0.6464

Annual GRT Taxable Expenditures \$22,496
Isolate GRT (7.00%) x \$15,900
2009 Estimated Average GRT Burden \$1,123

The proportion found was used to prorate, based on local per capita personal income, the amount that an average person spends annually on gross receipts taxable goods. Because the BLS study's expenditure data includes sales and excise tax, the calculated expenditures include gross receipts tax payments, which are then isolated using the city's rate.

Table 6. 2010 Average GRT Burden by City

City	City GRT ¹⁴	Per Capita Personal Income ¹⁵	GRT Burden
Santa Fe	8.19%	\$42,645	\$2,038
Carlsbad	7.44%	\$38,731	\$1,863
Clovis	7.56%	\$35,390	\$1,729
Rio Rancho	7.44%	\$34,862	\$1,699
Albuquerque	7.00%	\$34,862	\$1,599
Hobbs	6.81%	\$34,971	\$1,539
Farmington	7.13%	\$30,702	\$1,415
Roswell	7.13%	\$29,891	\$1,378
Las Cruces	7.56%	\$28,165	\$1,376
Alamogordo	7.44%	\$26,653	\$1,282

Combined, property and gross receipts tax burdens give the best estimate of the tax climate of New Mexico's cities. While there are many more taxes levied—income, cigarette, and fuel tax, for example—property and gross receipts tax make up a majority of the average citizen's location-dependent tax burden. Table 7 shows the tax burden calculated by adding the two taxes.

Table 7. 2010 Overall Property and Gross Receipts Tax Burden by City

City	City Median Property Tax Burden	+	Average GRT Burden	=	Total Tax Burden
Santa Fe	\$1,838		\$2,038		\$3,876
Rio Rancho	\$2,044		\$1,699		\$3,743
Albuquerque	\$1,819		\$1,599		\$3,418
Farmington	\$1,354		\$1,415		\$2,769
Las Cruces	\$1,388		\$1,376		\$2,764
Carlsbad	\$645		\$1,863		\$2,508
Clovis	\$750		\$1,729		\$2,479
Hobbs	\$796		\$1,539		\$2,335
Roswell	\$793		\$1,378		\$2,171
Alamogordo	\$806		\$1,282		\$2,088

Though these calculations give a general idea of how much the average person pays in taxes, they need to be put in perspective. What ultimately impacts taxpayers is how much tax they pay in relation to their income. Tax burden as a percent of income, as shown in Table 8, is what determines overall tax-friendliness.

Table 8. 2010 Tax-Friendliness by City

City	Total Tax Burden Per Capita	Per Capita Personal Income¹⁵	Tax Burden as a Percent of Income
Rio Rancho	\$3,743	\$34,862	10.74%
Las Cruces	\$2,764	\$28,165	9.81%
Albuquerque	\$3,418	\$34,862	9.80%
Santa Fe	\$3,876	\$42,645	9.09%
Farmington	\$2,769	\$33,040	8.38%
Alamogordo	\$2,088	\$26,653	7.83%
Roswell	\$2,171	\$29,891	7.26%
Clovis	\$2,479	\$35,390	7.00%
Hobbs	\$2,335	\$34,971	6.68%
Carlsbad	\$2,508	\$38,731	6.48%

This year, Carlsbad took the top spot in terms of overall taxpayer-friendliness with gross receipts and property taxes consuming 6.48 percent of personal income.

At the other end of the spectrum, Rio Rancho has seen a dramatic increase in its tax burden in recent years (mostly property taxes). Albuquerque has seen property tax rates decline somewhat in recent years and thus dropped back into the third slot.

For details on past rankings, view our 2009 report here:

http://www.riograndefoundation.org/downloads/rgf_how_tax_friendly_is_your_city_2009.pdf

Our 2007 version is available here:

http://riograndefoundation.org/downloads/rgf_how_tax_friendly_is_your_city.pdf

Conclusion

Ultimately, while dozens of factors ultimately determine where people choose to settle, more information allows better decisions to be made. New Mexico's cities are in constant competition both with each other and with cities in other states for employers, citizens, and economic growth. Lower taxes and less regulation are two factors that can make certain cities more attractive than others to both employers and citizens.

The Rio Grande Foundation hopes that the information presented in this study will encourage city leaders to evaluate their tax policies to remain competitive. But tax policy is not solely in the

hands of city councils, county commissions, or state government—citizens have a say, with both their vote and their feet. The old saying that taxes redistribute people, not wealth has truth to it. In order to attract people and promote economic growth, New Mexico’s cities should seek lower taxes.

About the Authors: Maya Gold was a policy analyst with the Rio Grande Foundation during the summer of 2011. Paul Gessing is president of the Rio Grande Foundation.

Appendix A: Footnotes

¹ New Geography/ The Tax Foundation, “Local and State Tax Burden Maps.”

<http://www.newgeography.com/content/00754-local-and-state-tax-burden-maps>

² Tax.com, “20 Zip Codes with Highest Average AGI in 2007.”

[http://www.tax.com/taxcom/taxblog.nsf/0971609221721415852572ac0067c130/3e87c8f9fbe008d38525783700437094/\\$FILE/Table%201.pdf](http://www.tax.com/taxcom/taxblog.nsf/0971609221721415852572ac0067c130/3e87c8f9fbe008d38525783700437094/$FILE/Table%201.pdf)

³ Rasmussen Reports, “Importance of Issues: Economy, Health Care, Taxes continue to Be Top Issues for Voters”

http://www.rasmussenreports.com/public_content/politics/mood_of_america/importance_of_issues

⁴ Yield control prevents operational tax revenue from growing more than 5% each fiscal year. See Section 7-37-7.1 NMSA 1978.

⁵ Within each respective jurisdiction, state debt obligation may not exceed 1% of net taxable value, county and municipal debt obligation may not exceed 4% of net taxable value, and school district debt obligation may not exceed 6% of net taxable value.

⁶ US Census Bureau, “State and Local Government Finances by Level of Government and by State: 2005-06,”

http://www.census.gov/govs/estimate/0632nmsl_1.html

⁷ Beginning in 2006, the Veteran exemption is \$4,000. See Article VII, Section 5 of the Constitution of New Mexico.

⁸ The 3% cap does not apply to new improvements made to the property.

⁹ “Judge Zaps Tax Lightning”. Albuquerque Journal. August 14, 2009.

¹⁰ Gross receipts tax does not function like a sales tax for all businesses. For discussion on this, see Rio Grande Foundation study “New Mexico’s Gross Receipts Tax: A Warning to Other States” by Paul Gessing and Harry Messenheimer, Ph.D. http://www.riograndefoundation.org/papers/combined_grt.pdf

¹¹ County rates are capped at 4.3125%, and municipal rates are capped at 4.0625%.

¹² US Census Bureau, “State and Local Government Finances by Level of Government and by State: 2005-06,”

http://www.census.gov/govs/estimate/0632nmsl_1.html

¹³ Consumer Expenditure Survey, “Income Before Taxes: Average Annual Expenditures and Characteristics.”

<http://www.bls.gov/cex/2009/Standard/income.pdf>

¹⁴ New Mexico Governments, “Gross Receipts Tax Rate Schedule.”

<http://www.tax.newmexico.gov/SiteCollectionDocuments/2011grt-trt-july.pdf>

¹⁵ Personal Income data taken from Bureau of Economic Analysis: <http://www.bea.gov/regional/reis/drill.cfm>.

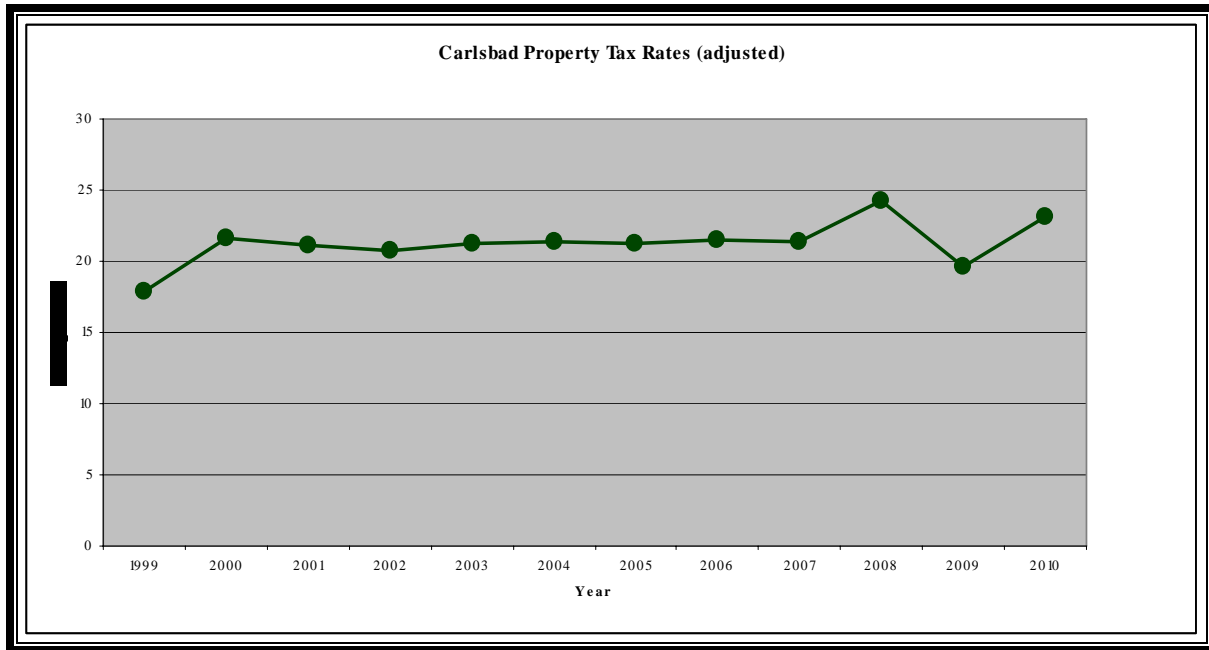
Appendix B: Trends in Property Tax

Note: Some time between 2004 and 2005 New Mexico began to incorporate new categories into the millage rate, such as flood control, which resulted in a dramatic increase in the millage rate for some cities. This has attempted to be corrected by artificially adding the average millage rate for these categories from 2005-200 into the pre-2005 data, which shows up on the graphs as the red “adjusted” trend line.

Carlsbad, Eddy County

Property Tax Rank: 1/10

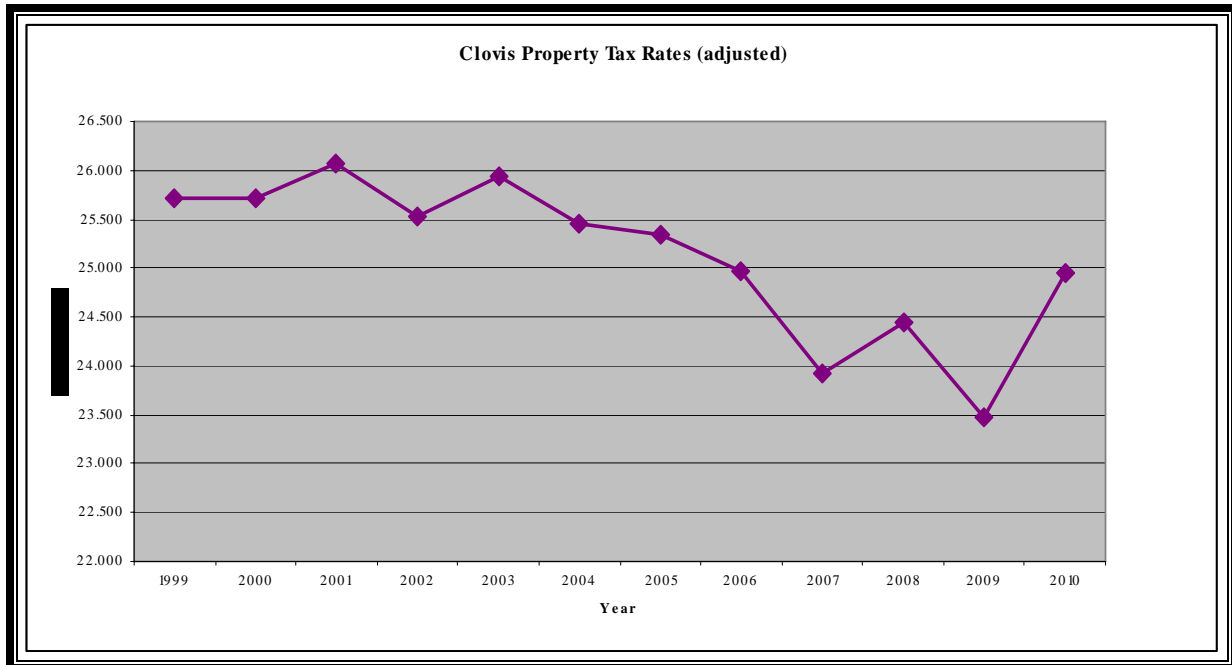
Overall Rank: 1/10



Clovis, Curry County

Property Tax Rank: 2/10

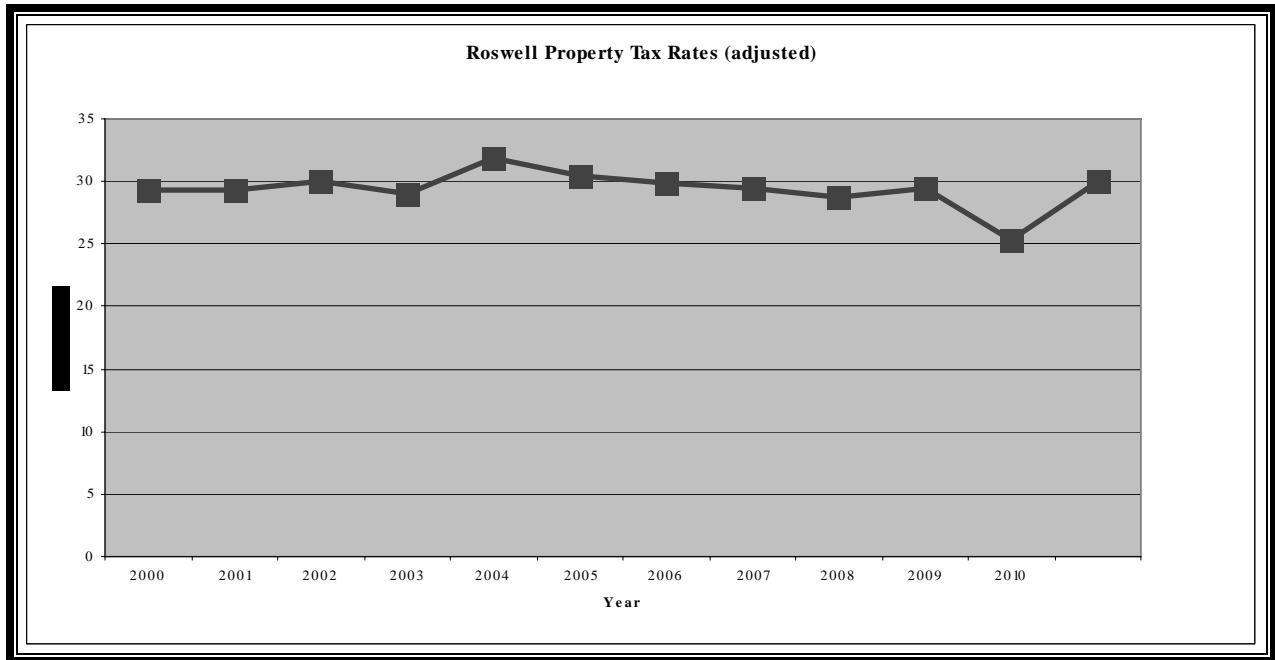
Overall Rank: 3/10



Roswell, Chaves County

Property Tax Rank: 3/10

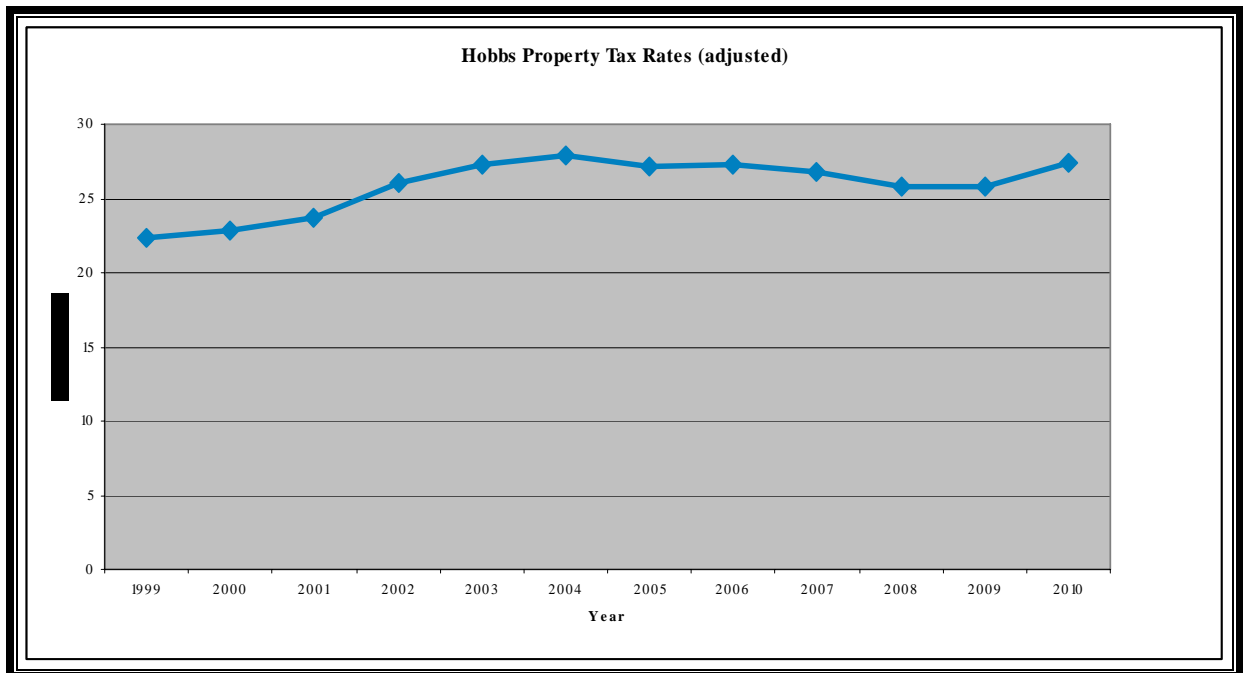
Overall Rank: 1/10



Hobbs, Lea County

Property Tax Rank: 4/10

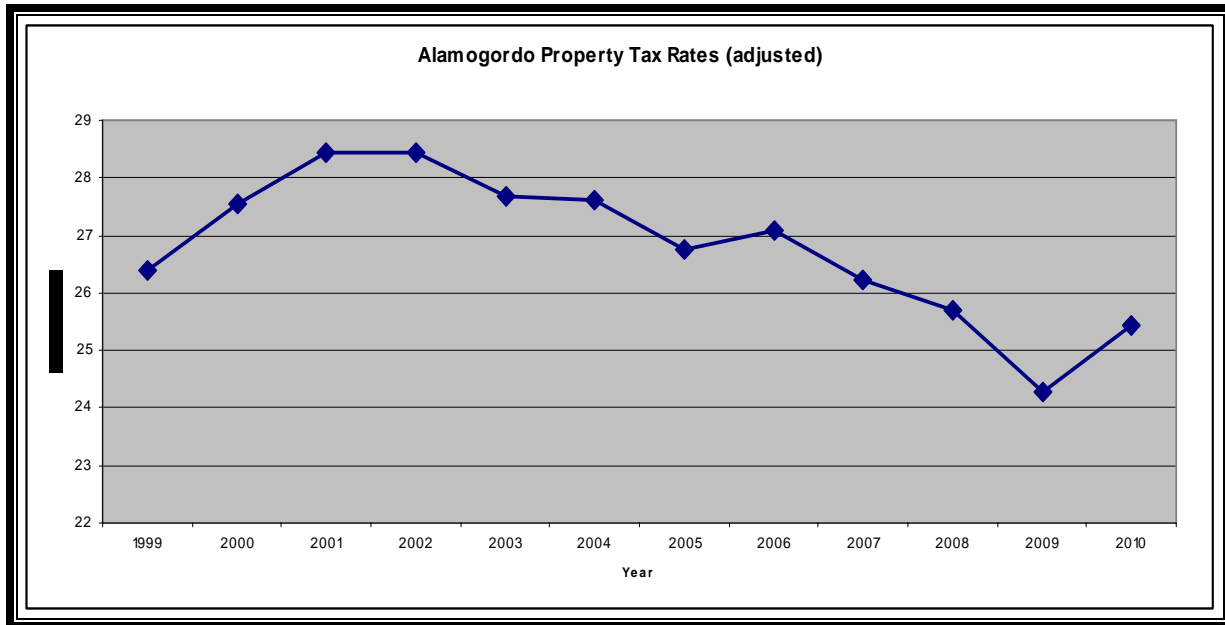
Overall Rank: 2/10



Alamogordo, Otero County

Property Tax Rank: 5/10

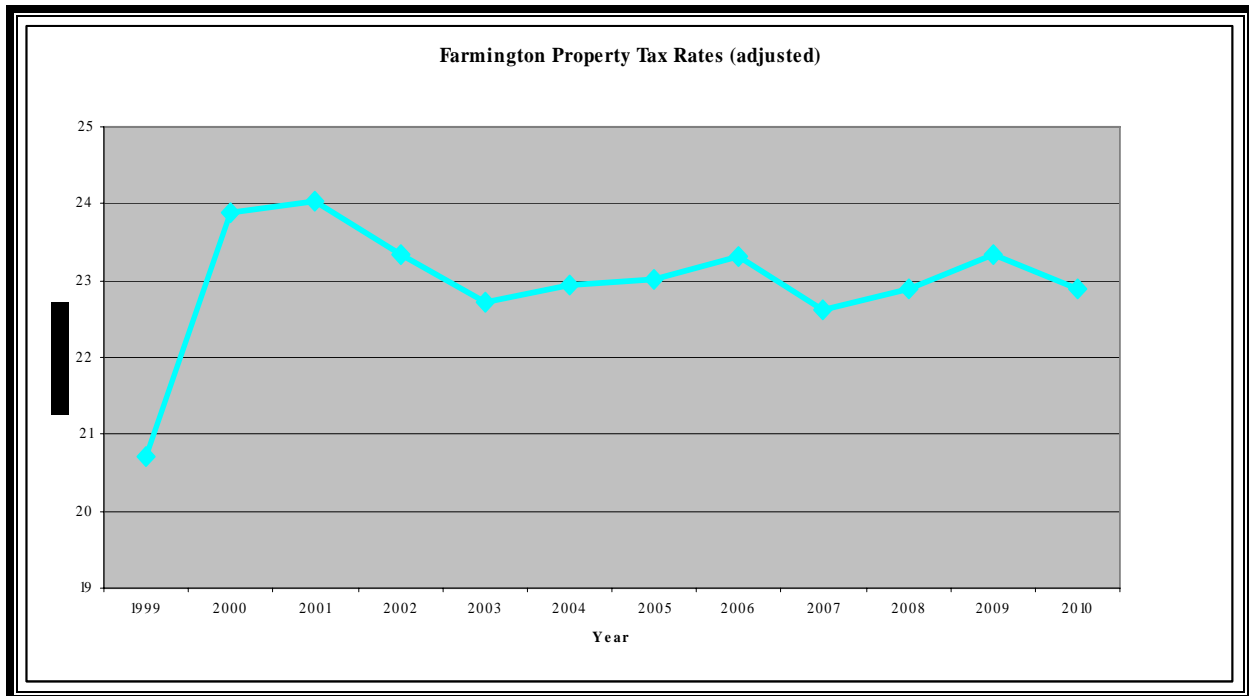
Overall Rank: 5/10



Farmington, San Juan County

Property Tax Rank: 6/10

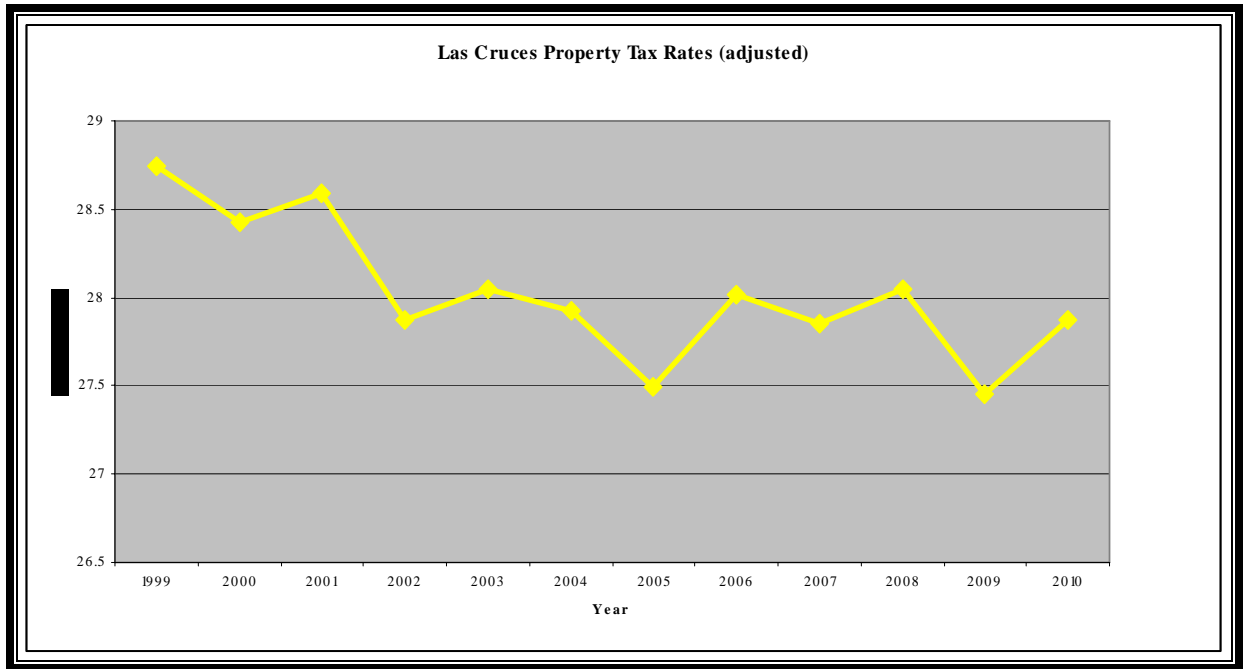
Overall Rank: 6/10



Las Cruces, Doña Ana County

Property Tax Rank: 7/10

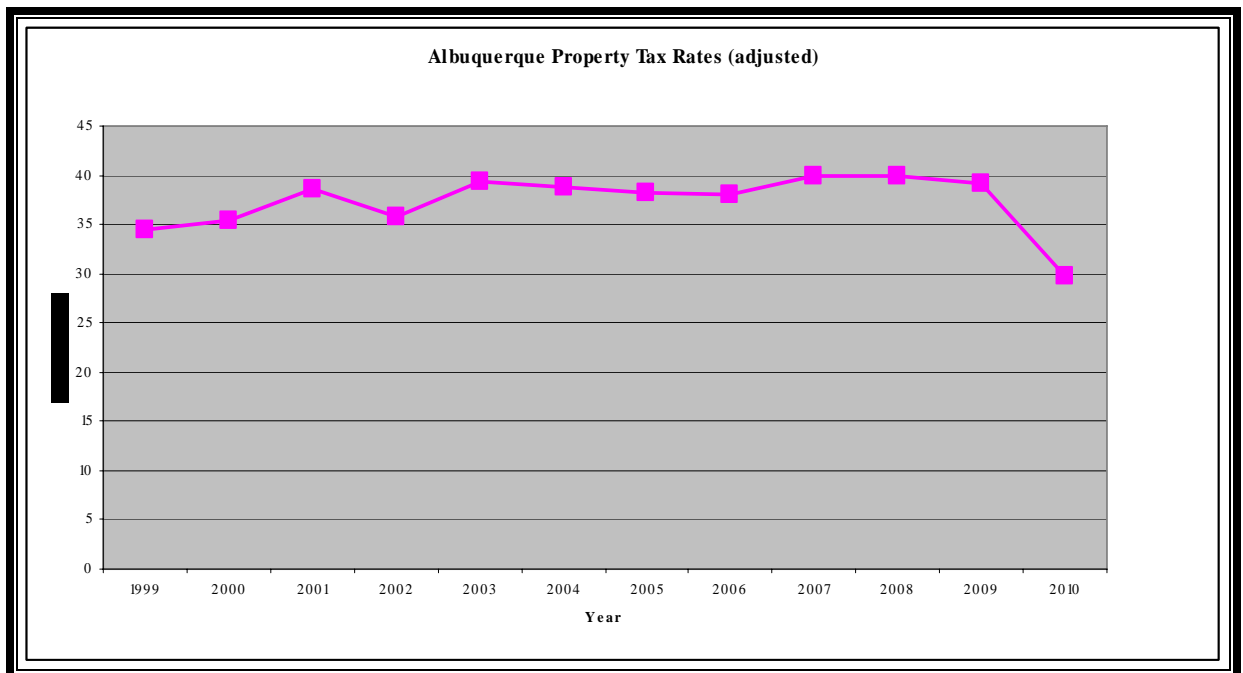
Overall Rank: 9/10



Albuquerque, Bernalillo County

Property Tax Rank: 8/10

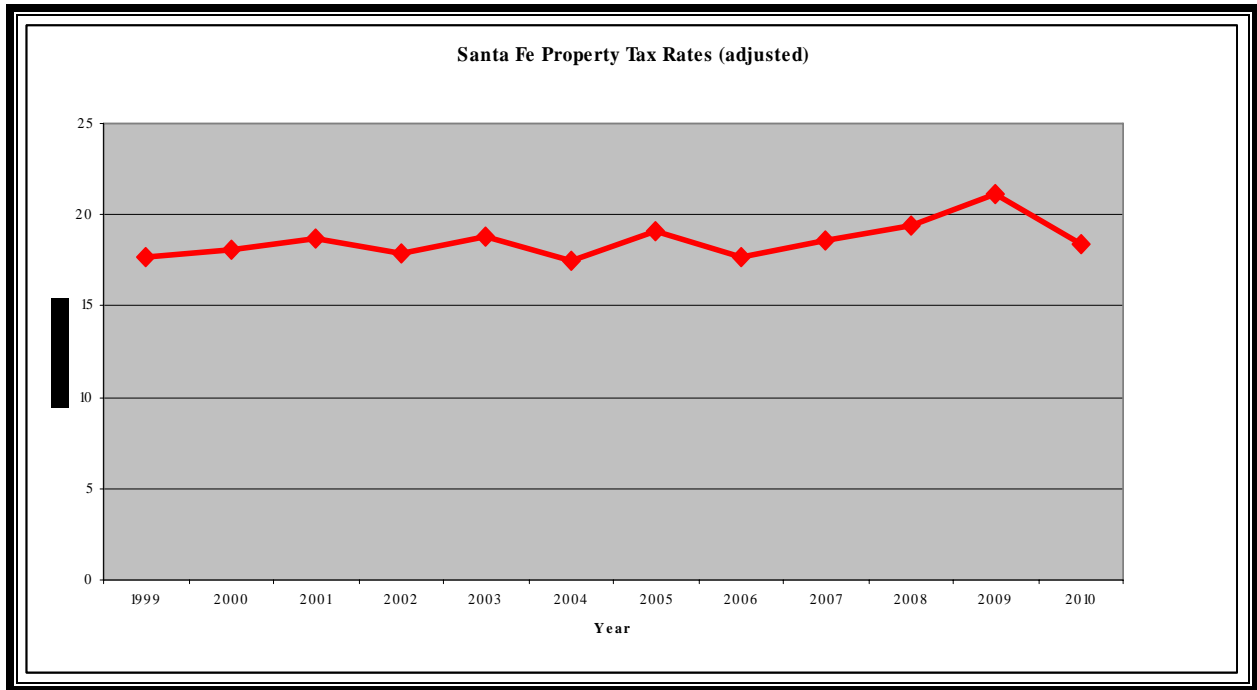
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Santa Fe, Santa Fe County

Property Tax Rank: 9/10

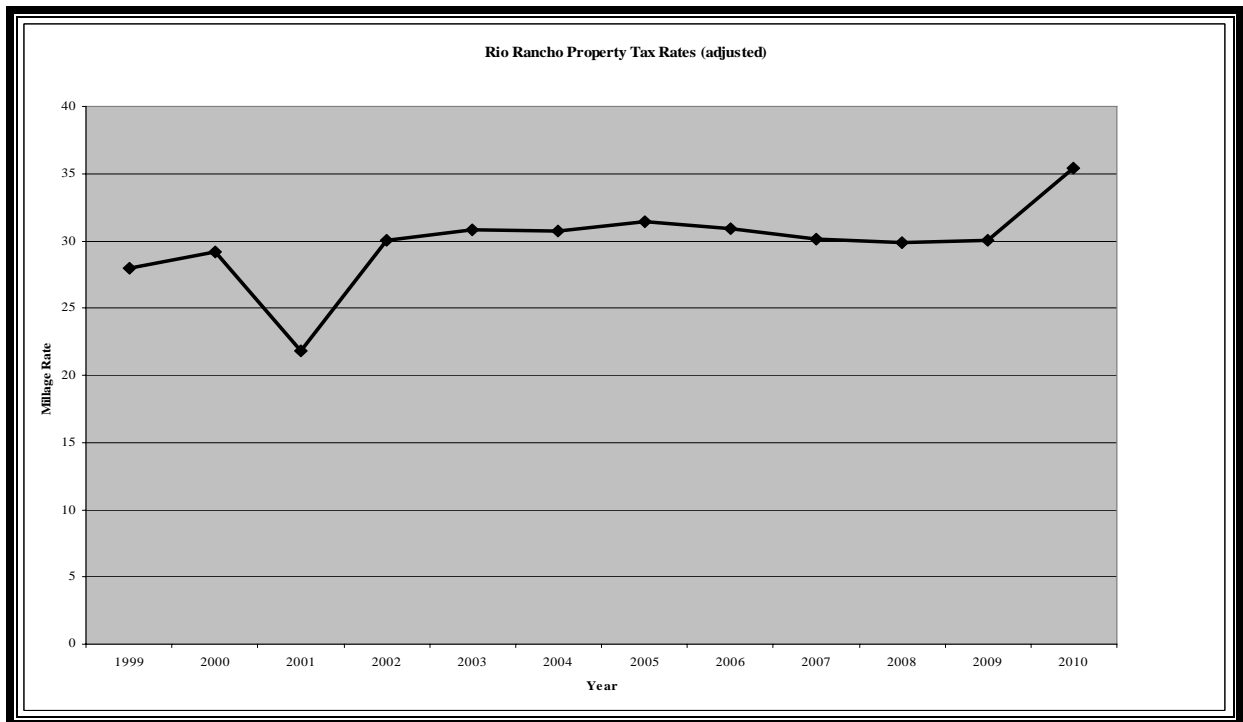
Overall Rank: 10/10



Rio Rancho, Sandoval County

Property Tax Rank: 10/10

Overall Rank: 10/10

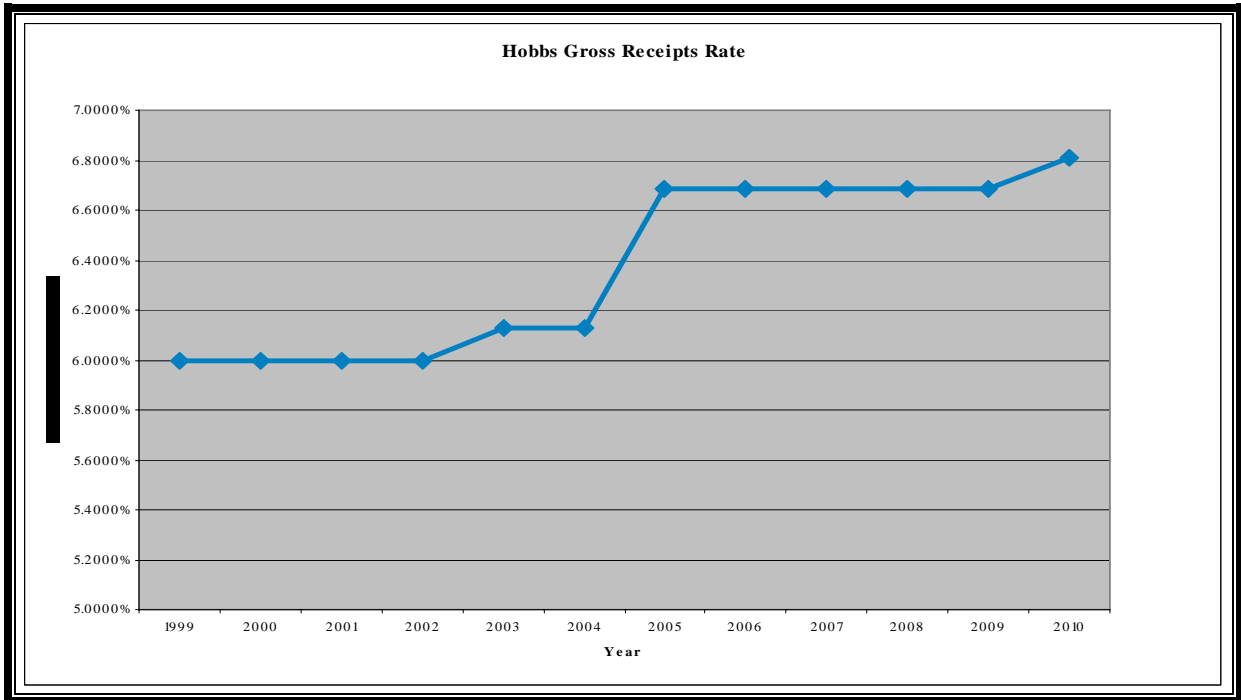


Appendix C: Trends in Gross Revenue Tax

Hobbs, Lea County

GRT Rank: 5/10

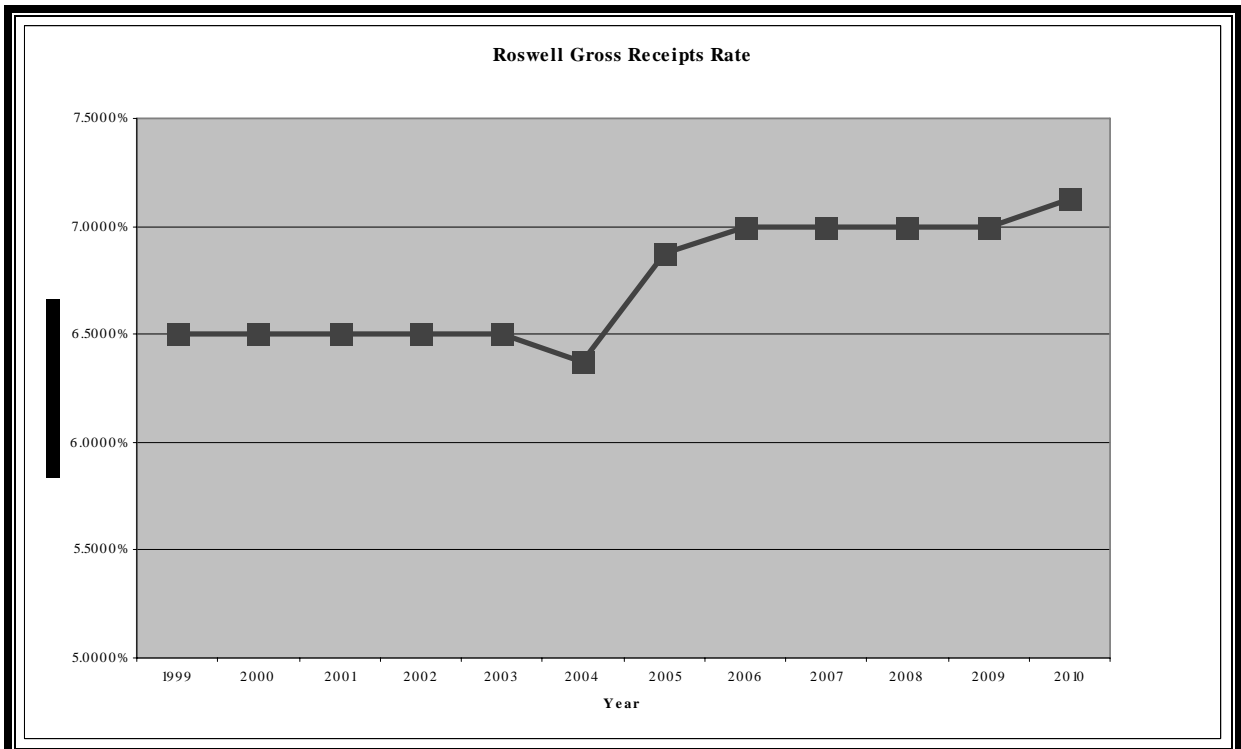
Overall Rank: 2/10



Roswell, Chaves County

GRT Rank: 3/10

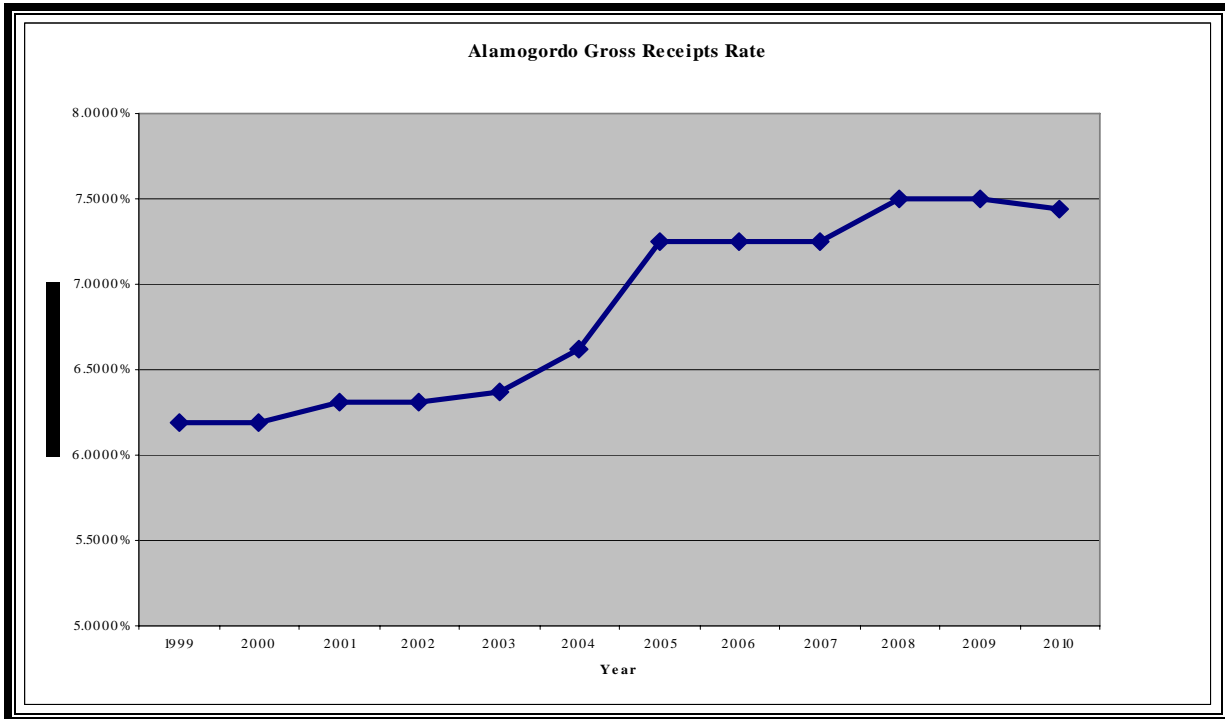
Overall Rank: 4/10



Alamogordo, Otero County

GRT Rank: 1/10

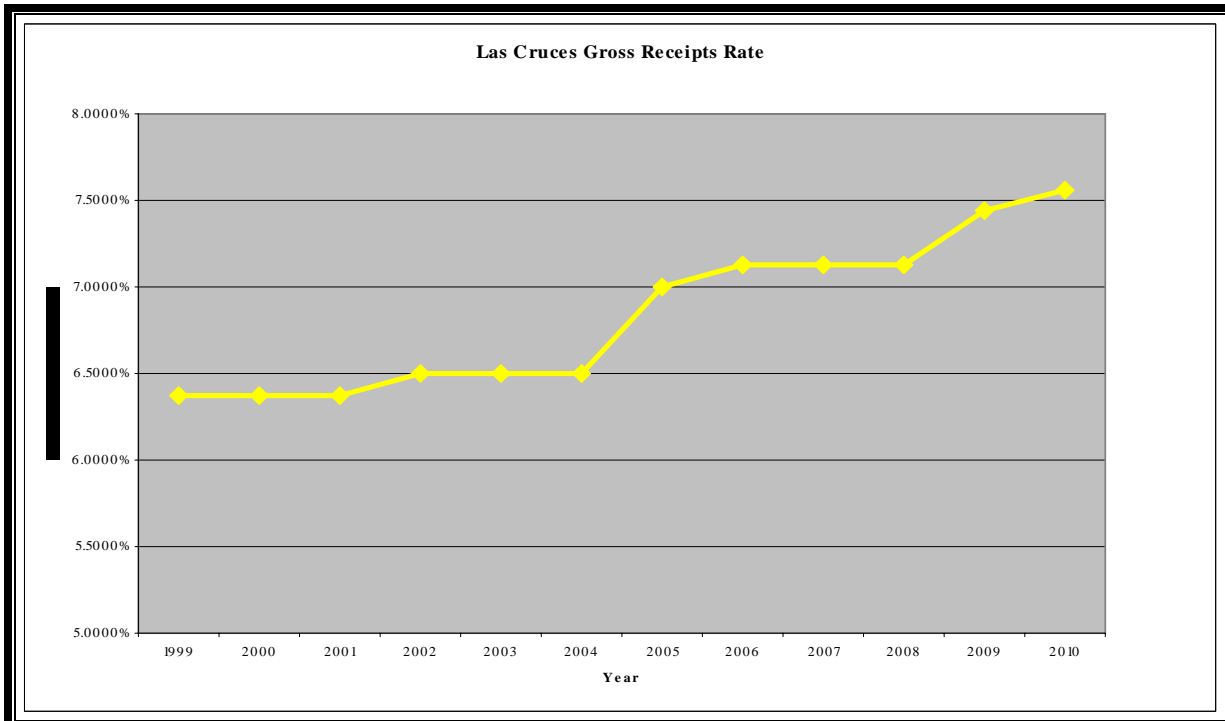
Overall Rank: 5/10



Las Cruces, Doña Ana County

GRT Rank: 2/10

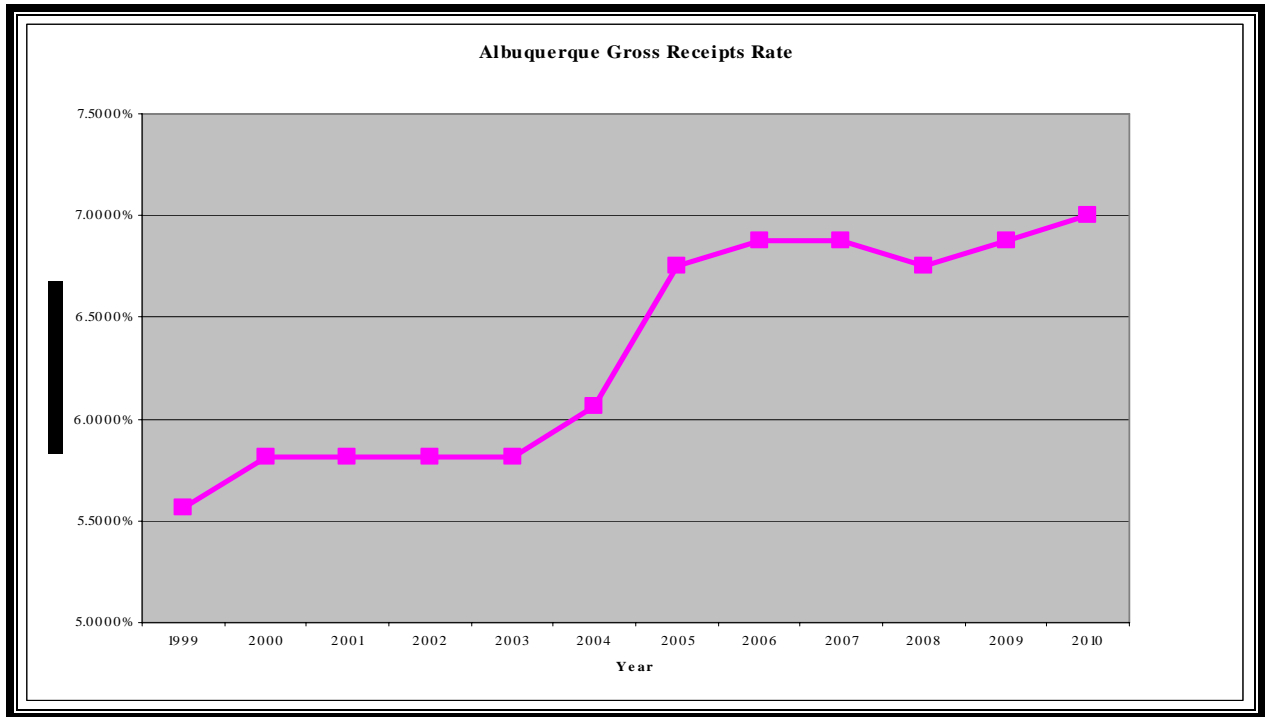
Overall Rank: 9/10



Albuquerque, Bernalillo County

GRT Rank: 6/10

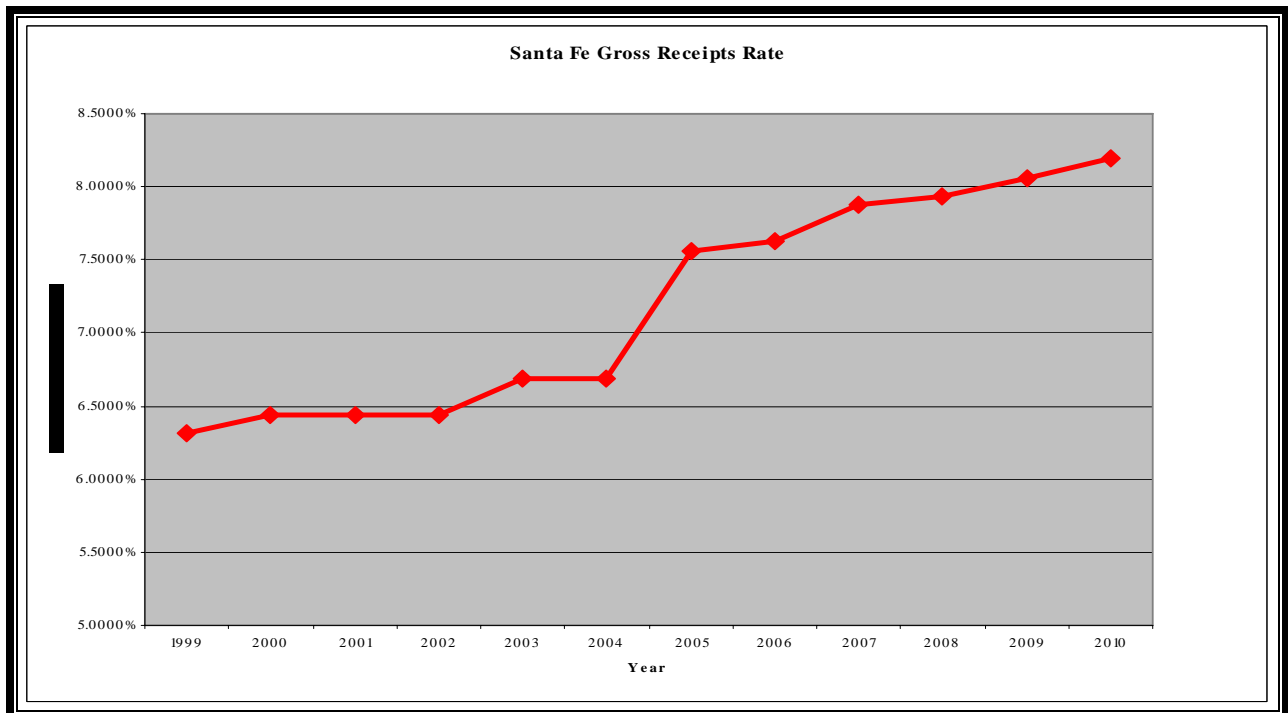
Overall Rank: 8/10



Santa Fe, Santa Fe County

GRT Rank: 10/10

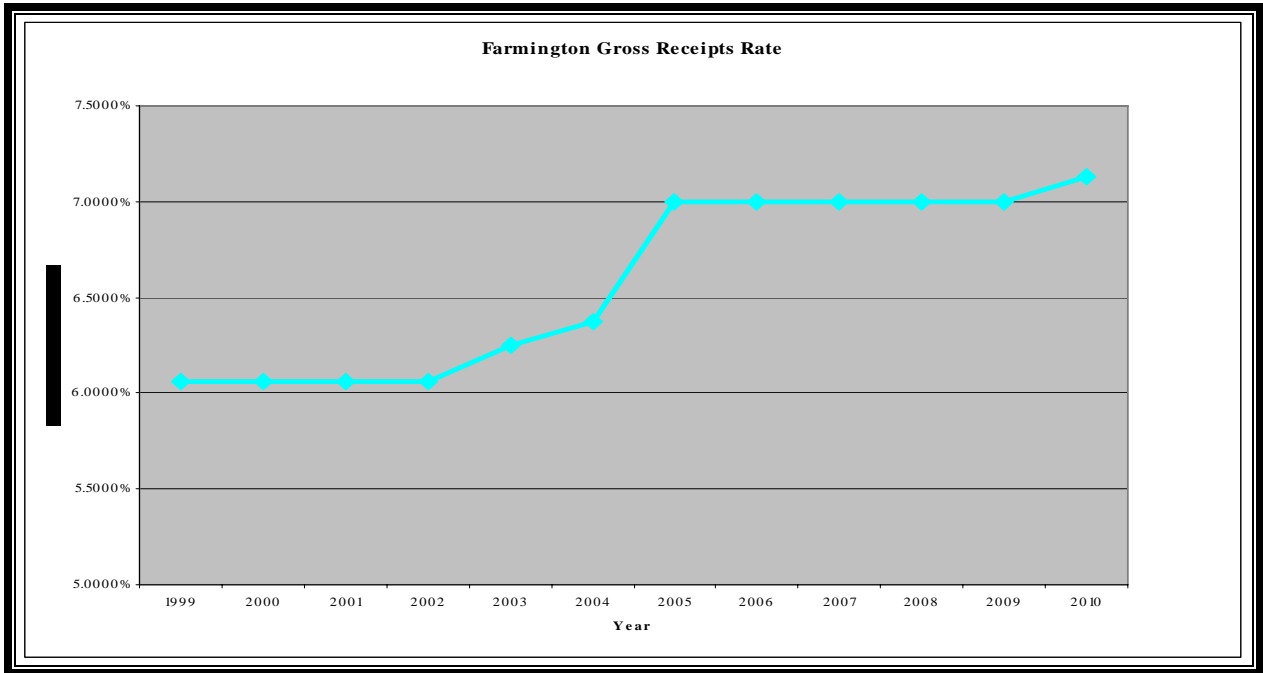
Overall Rank: 7/10



Farmington, San Juan County

GRT Rank: 4/10

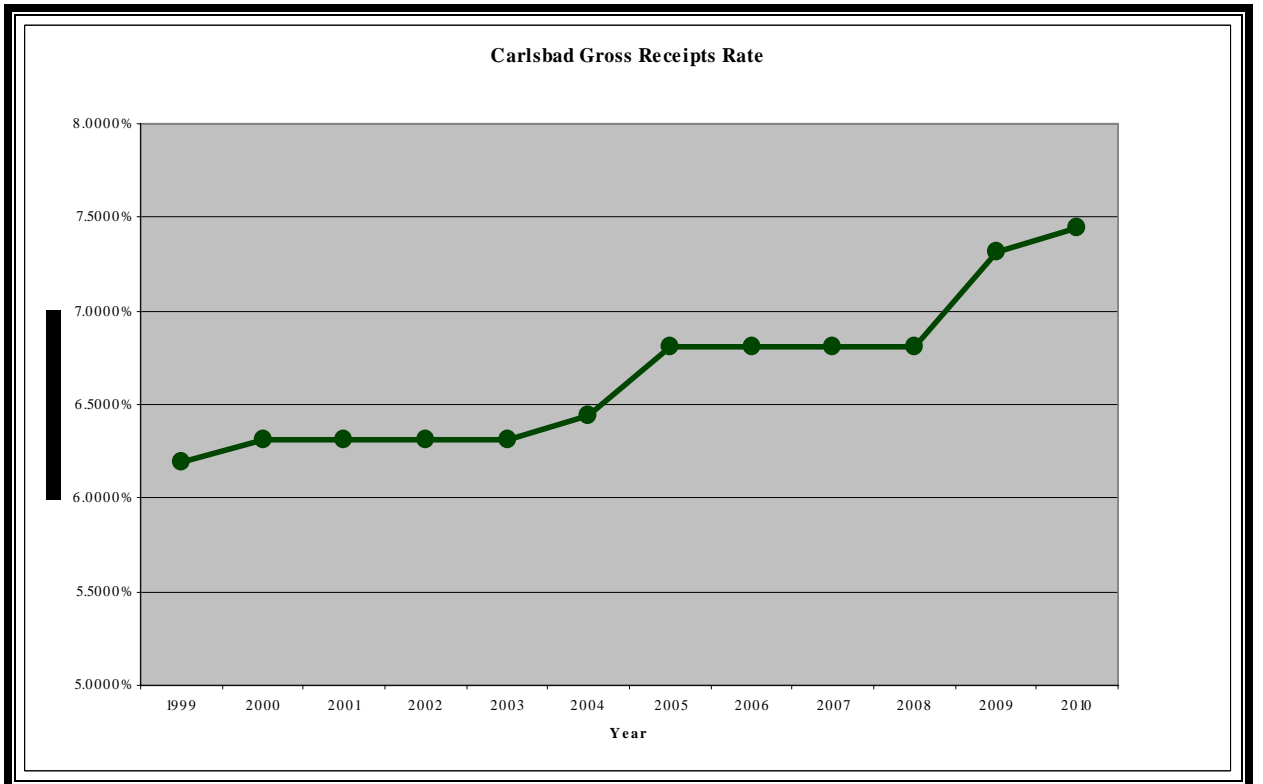
Overall Rank: 5/10



Carlsbad, Eddy County

GRT Rank: 9/10

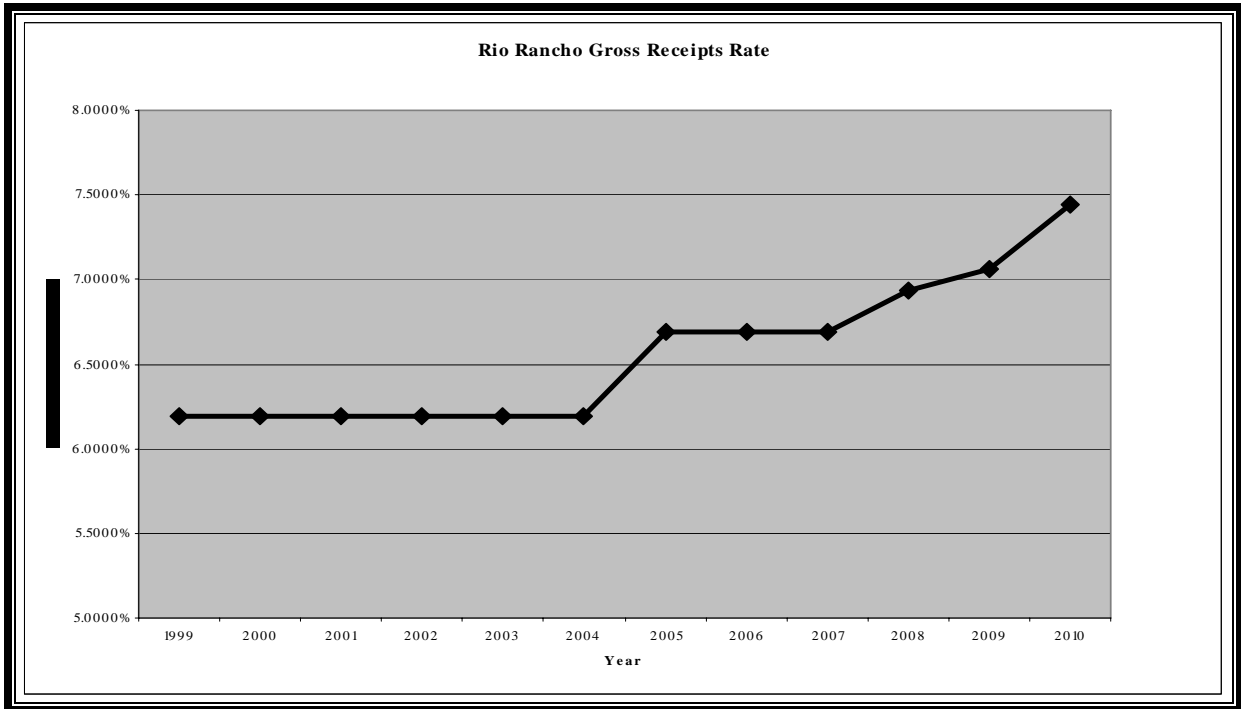
Overall Rank: 1/10



Rio Rancho, Sandoval County

GRT Rank: 7/10

Overall Rank: 10/10



Clovis, Curry County

GRT Rank: 2/10

Overall Rank: 3/10

