

HOUSE BILL 229

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

Larry R. Scott

AN ACT

RELATING TO TAXATION; REQUIRING THAT A CONTRIBUTION MADE TO A UTILITY FOR THE EXPANSION, IMPROVEMENT OR REPLACEMENT OF SERVICE OR FACILITY OF THE UTILITY SHALL NOT BE SUBJECT TO VALUATION FOR PROPERTY TAX PURPOSES.

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

SECTION 1. Section 7-36-29 NMSA 1978 (being Laws 1975, Chapter 165, Section 10) is amended to read:

"7-36-29. SPECIAL METHOD OF VALUATION--PROPERTY USED FOR THE GENERATION, TRANSMISSION OR DISTRIBUTION OF ~~[ELECTRICAL]~~ ELECTRIC POWER OR ENERGY.--

A. Except as provided in Subsection C of this section, all property used for the generation, transmission or distribution of ~~[electrical]~~ electric power or energy subject to valuation for property taxation purposes shall be valued in

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1 accordance with the provisions of this section.

2 B. As used in this section:

3 (1) "depreciation" means straight line
4 depreciation over the useful life of the item of property;

5 (2) "electric plant" means all property
6 situated in this state used or useful for the generation,
7 transmission or distribution of electric power or energy, but
8 does not include land, land rights, general buildings and
9 improvements, construction work in progress, materials and
10 supplies and licensed vehicles;

11 (3) "construction work in progress" means the
12 total of the balances of work orders for an electric plant in
13 process of construction on the last day of the preceding
14 calendar year exclusive of land, land rights and licensed
15 vehicles;

16 (4) "general buildings and improvements" means
17 buildings of the nature of offices, residential housing,
18 warehouses, shops and associated improvements in general use by
19 the taxpayer and not directly associated with generation,
20 transmission or distribution of [~~electrical~~] electric power or
21 energy;

22 (5) "materials and supplies" means the cost,
23 including sales, use and excise taxes, and transportation costs
24 to point of delivery in this state, less purchases and trade
25 discounts, of all unapplied material and supplies on hand in

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1 this state as of December 31 of the preceding calendar year;

2 and

3 ~~[(6) "other justifiable factors" includes, but~~
4 ~~is not limited to, functional and economic obsolescence, such~~
5 ~~as the limitation upon the use of the property based upon the~~
6 ~~available reserves committed to the property; and~~

7 ~~(7)]~~ (6) "tangible property cost" means the
8 actual cost of acquisition or construction of property to the
9 utility generating, transmitting or distributing electric
10 power, including additions, retirements, adjustments and
11 transfers, but without deduction of related accumulated
12 provision for depreciation, amortization or other purposes.

13 C. The department shall not value the following:

14 (1) property contributed to a utility for the
15 expansion, improvement or replacement of service or facility of
16 the utility; and

17 (2) that portion of property that is acquired
18 or constructed with funds contributed to a utility for the
19 expansion, improvement or replacement of service or facility of
20 the utility.

21 ~~[G.]~~ D. An electric plant shall be valued as
22 follows:

23 (1) the department shall determine the
24 tangible property cost of the electric plant;

25 (2) such tangible property cost shall then be

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1 reduced by the related accumulated provision for depreciation
2 and any other justifiable factors, including functional and
3 economic obsolescence, such as the limitation on the use of the
4 property based on the available reserves committed to the
5 property; and

6 (3) notwithstanding the foregoing
7 determination of value for property taxation purposes, the
8 value for property taxation purposes of an electric plant shall
9 not be less than twenty percent of the tangible property cost
10 of the electric plant.

11 [~~D.~~] E. The value of construction work in progress
12 shall be fifty percent of the amount expended and entered upon
13 the accounting records of the taxpayer as of December 31 of the
14 preceding calendar year as construction work in progress.

15 [~~E.~~] F. The value of materials and supplies shall
16 be the tangible property cost for such property as of December
17 31 of the preceding calendar year.

18 [~~F.~~] G. Each item of property having a taxable
19 situs in the state and valued under this section shall have its
20 net taxable value allocated to the governmental units in which
21 the property is located.

22 [~~G.~~] H. The department shall adopt regulations
23 under Section 72-31-88 NMSA 1953 to implement the provisions of
24 this section."

25 SECTION 2. APPLICABILITY.--The provisions of this act

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1 apply to taxable years beginning on or after January 1, 2016.

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