

**Property Taxes  
Imposed Rates vs. Levied Rates  
September 2016**

Over the years there has been much discussion and misunderstanding of how property tax rates are established. This memo is intended to clarify this issue and make it easier to understand why property tax rates may fluctuate from year to year.

State Statutes set the upper limit on how many mills of property tax a local entity may impose. See the table below for those limits. For purposes of this document, mills imposed will refer to the mills that are voted on and approved by the local legislative body (i.e. County Council). Changes to the imposed rate for the County can only be done by the Council in a formal manner. The last change to the mills imposed by Los Alamos County was done in the spring of 2015 as part of the adoption of the FY16 Annual Budget. This change resulted in an increase of 2.25 mills. The table below also shows the current mills imposed to be 8.850 for County and 3.998 for the Municipal portion for a total of 12.848. Note that the total maximum operating mills allowed by State statute is 19.500 for Los Alamos. Also, by State statute, the rates for Residential and Non-Residential property must be imposed in equal increments.

<b>Incorporated County of Los Alamos - Property Tax Rates - Operating Mills</b>						
<b>Maximum Allowed vs. Imposed Mill Rates</b>						
	<u><b>Residential</b></u>			<u><b>Non-Residential</b></u>		
	Maximum Allowed by State Law	Imposed	Remaining Unimposed Authority	Maximum Allowed by State Law	Imposed	Remaining Unimposed Authority
County	11.850	8.850	3.000	11.850	8.850	3.000
Municipal	7.650	3.998	3.652	7.650	3.998	3.652
Total	19.500	12.848	6.652	19.500	12.848	6.652

For this discussion the mills levied refers to the actual millage rate, which is certified annually by DFA after the application of “yield control”, as required by State statutes. This levied rate is adopted by the Council and is used for preparation of the annual property tax bills that are sent to taxpayers. Yield control limits property tax revenue growth resulting from re-valuation to a rate determined annually by DFA from an independent inflation index. Other sources for revenue growth (e.g. new construction valuation or new operating mills imposed by the legislative body or G.O. bond mill levies like the one approved by the voters for the Los Alamos Public School in 2009) are not limited in the same manner.

Whenever the valuation growth exceeds the growth rate allowed by DFA, the yield control formula adjusts the levied rate downward so that the actual resulting revenue yield growth is limited to the independent inflation factor. [For many years this was the case for Los Alamos residential property – this is why the levied rate is lower than the rate actually imposed.] Conversely, when valuation growth is less than the growth rate allowed by DFA, the yield control formula will adjust the levied rate upward. The upward adjustment is still limited by the revenue yield growth rate allowed by DFA and will occur only as long as the levied rate is less than the imposed rate.

<b>Incorporated County of Los Alamos - Property Tax Rates - Operating Mills</b> <b>Imposed Mill Rates vs. Levied Mill Rates</b> (based upon 2016 rates certified from DFA)						
	<u>Residential</u>			<u>Non-Residential</u>		
	<u>Imposed</u>	<u>Levied</u>	<u>Difference</u>	<u>Imposed</u>	<u>Levied</u>	<u>Difference</u>
County	8.850	5.873	2.977	8.850	8.850	0.000
Municipal	3.998	3.950	0.048	3.998	3.998	0.000
Total	<u>12.848</u>	<u>9.823</u>	<u>3.025</u>	<u>12.848</u>	<u>12.848</u>	<u>0.000</u>