FISCAL IMPACT REPORT

BILL NUMBER: House Bill 103

SHORT TITLE: Residential Property Valuation Increases

SPONSOR: Parajon

LAST UPDATE: ______ **ORIGINAL DATE:** 1/26/2026 **ANALYST:** Faubion

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Property Tax	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Recurring	Local Governments
Property Tax	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Recurring	State GO Bonding Fund

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
NM Counties

Agency or Agencies That Were Asked for Analysis but did not Respond
Taxation and Revenue Department
Department of Finance and Administration
NM Municipal League

SUMMARY

Synopsis of House Bill 103

House Bill 103 (HB 103) amends the residential property valuation limitation by allowing the cap on annual valuation increases to continue applying when a property's zoning changes, as long as the property's use remains residential. Under current law, a zoning change triggers a reset to full market value. The change applies to property tax years beginning on or after January 1, 2026.

FISCAL IMPLICATIONS

Evaluating the fiscal impact of this bill is difficult due to limited information on the scope of potentially affected properties and current assessor practices related to zoning changes. There is no statewide data identifying how many residential parcels experience zoning changes without an accompanying change in use, nor how frequently such zoning changes currently result in properties being revalued at full market value. In addition, parcel-level data showing which properties have lost the valuation limitation solely due to zoning changes, their underlying market values, and the degree to which assessor interpretations vary across counties are not centrally available. Without consistent data on the number of residential parcels that could retain the valuation limitation under this bill and the difference between capped and uncapped values, the potential impact on property tax revenues cannot be reliably quantified.

This bill may reduce taxable valuations for a limited number of residential parcels by allowing the valuation limitation to continue following certain zoning changes. To the extent aggregate taxable value declines within a tax district, local revenue impacts are likely to be largely offset through yield control. Under the yield control statute (Section 7-37-7.1 NMSA 1978), operating tax rates are adjusted to maintain reasonable revenue growth when changes in taxable value occur. As a result, reductions in aggregate property values could lead to higher mill rates applied across the tax district, mitigating local revenue losses. However, the magnitude of this offset is difficult to estimate without detailed parcel-level data. State general obligation bonds are not subject to yield control; therefore, any reduction in taxable value attributable to this bill would reduce revenues available for state GO bond debt service.

SIGNIFICANT ISSUES

This bill modifies the residential property valuation limitation by allowing the statutory cap on annual valuation increases to continue applying when a property's zoning changes, provided the property's use remains residential. The policy change narrows the circumstances under which residential property is revalued at full market value and aligns valuation treatment more closely with actual use rather than zoning classification.

The change may improve predictability and equity for homeowners whose properties are rezoned through broader planning or land-use decisions beyond the owner's control. In such cases, a zoning change may not reflect an immediate change in market conditions or the owner's ability to pay, particularly when the property continues to be occupied and used as a residence. By maintaining the valuation limitation, the bill may reduce abrupt increases in taxable value that can occur solely due to zoning actions.

The bill may introduce additional administrative considerations for county assessors by increasing the importance of distinguishing between a property's zoning classification and its actual use when applying the residential valuation limitation. By removing zoning changes as a trigger for revaluation, the bill places greater emphasis on determining whether a change in use has occurred, which may require additional documentation, site review, or interpretation. In cases where residentially zoned properties are used for income-producing or other nonresidential purposes, assessors may need to rely on additional evidence to support a use-based determination. The bill does not define "change in use," which could increase administrative complexity, contribute to inconsistent application across counties, and result in additional valuation disputes or appeals.

New Mexico Counties emphasize that property tax revenues, while generally stable, are facing growing fiscal pressure from recently approved constitutional amendments expanding veteran property tax exemptions. The association estimates revenue losses exceeding $30 million beginning in FY27 from the expansion of the disabled veteran exemption, which significantly increased the number of eligible veterans and an additional $7.6 million beginning in FY26 from the increase in the standard veteran exemption. The association note these cumulative impacts reduce available resources for essential local services and underscore concerns about additional property tax exemptions or limitations that further narrow the local tax base.

ADMINISTRATIVE IMPLICATIONS

The bill's applicability to property tax years beginning on or after January 1, 2026, may pose implementation challenges for county assessors. Property classifications and valuations are typically determined based on conditions and use in the prior tax year, and assessors rely on established annual cycles for discovery, valuation, and issuance of notices of value. Because the bill alters how zoning changes are treated for purposes of applying the residential valuation limitation, assessors may need to revisit existing practices for identifying and documenting zoning and use changes during the valuation year. Determining how to apply the amended standard to properties that experience zoning changes near the effective date, and ensuring consistent treatment across counties, could require additional guidance to avoid inconsistent application or disputes during the initial year of implementation.

The Taxation and Revenue Department's Property Tax Division will review compliance by county assessors during the annual assessor evaluations.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **Accountability**: Preferences should be easy to monitor and evaluate.

JF/ct/hg/sgs