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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 149

SHORT TITLE: Property Tax Code Definitions

SPONSOR: Sen. Block/Rep. Vincent

LAST UPDATE: _____ **ORIGINAL DATE:** 2/3/2026 **ANALYST:** Faubion

REVENUE* (dollars in thousands)

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

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Economic and Rural Development and Policy Committee's 2025 HM 52 Report

Agency or Agencies Providing Analysis

Tourism Department

Agency or Agencies That Were Asked for Analysis but did not Respond

Taxation and Revenue Department

Economic Development Department

NM Municipal League

NM Counties

SUMMARY

Synopsis of Senate Bill 149

Senate Bill 149 (SB149) amends the definition of “residential property” in the Property Tax Code. The bill clarifies that “dwellings” include structures used primarily for human habitation that are leased or rented to lodgers for any duration, rather than only for permanent habitation. It also removes language that explicitly excluded structures used for temporary or transient habitation and narrows the exclusion to hotels, motels, and similar commercial structures. This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

Evaluating the fiscal impact of this bill is difficult due to limited information on the number of short-term rental properties that would otherwise be classified as nonresidential under current assessor practices. There is no centralized, statewide data identifying how many residential parcels are currently used as full-time or predominantly commercial short-term rentals, how many have been reclassified as nonresidential, or how assessor interpretations of “primary use” vary across counties. In addition, parcel-level data showing the difference between residential and nonresidential taxable values for these properties, including the effect of the residential 3 percent valuation cap and yield control, are not readily available.

This bill would shift certain properties from the nonresidential tax base into the residential tax base by requiring STRs to be classified as residential regardless of use. Under New Mexico’s yield control statute (Section 7-37-7.1 NMSA 1978), operating tax rates are adjusted to limit revenue growth when changes in taxable value occur, and yield control is calculated separately for residential and nonresidential property classes. As residential taxable value increases due to the inclusion of additional properties, residential mill rates could decline to stay within allowable revenue growth. Conversely, a reduction in nonresidential taxable value could result in higher nonresidential mill rates to maintain permitted revenue levels for that class. While these adjustments generally mitigate overall local revenue impacts, they may shift tax burden between residential and nonresidential taxpayers. Despite yield control offsetting, because commercial properties are not subject to the 3 percent assessment limitation that applies to residential properties, shifting properties from the commercial to the residential tax base would likely result in slower growth in taxable value and lower property tax revenues over time compared with current practice. The magnitude of these effects cannot be reliably quantified without detailed parcel-level data on affected properties and current classification practices.

State general obligation bond levies 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 would materially limit county assessors’ discretion in classifying short-term rental (STR) properties by revising the statutory definition of “residential property.” By explicitly including dwellings used for human habitation that are leased or rented to lodgers for any duration, the bill would require STRs to be classified as residential property for property tax purposes, regardless of the intensity of rental activity. This would apply both to mixed-use properties (owner or family use combined with short-term rental activity) and to properties used exclusively as short-term rentals, even when operated year-round as income-producing units.

New Mexico’s yield control system has resulted in materially higher effective operating mill rates for nonresidential properties compared with residential properties. Because yield control is calculated separately for residential and nonresidential tax bases, and residential taxable values have grown more rapidly in recent years, residential mill rates are more frequently reduced to comply with allowable revenue growth, while nonresidential mill rates remain closer to imposed limits. As a result, commercial and other nonresidential properties typically face higher effective

property tax rates than residential properties, even as residential property constitutes a growing share of the statewide tax base.

Under current law, assessors have flexibility to interpret whether a property is “used primarily for permanent human habitation” and therefore residential, or whether its predominant use is commercial in nature. In practice, this has allowed assessors to consider factors such as frequency and duration of rentals, owner occupancy, and whether a property functions more like a lodging business than a residence. As documented in the Economic and Rural Development and Policy Committee’s 2025 HM 52 working group report, this discretion has resulted in differing assessment practices across counties, with some assessors reclassifying certain STRs as nonresidential and others maintaining residential classification.

By removing the qualifier tied to “permanent” habitation and narrowing the exclusion to hotels, motels, and similar commercial structures, the bill would effectively eliminate use-based distinctions for STRs in the Property Tax Code. Assessors would no longer be able to classify a residential structure as nonresidential based solely on the extent or commercial character of its short-term rental use. Proponents argue this change would improve uniformity across counties, reduce administrative disputes, and prevent sudden reclassifications that can significantly increase property tax liabilities through the loss of the residential valuation cap or residential yield-controlled mills.

At the same time, the bill raises policy questions about whether all STRs should receive identical tax treatment regardless of ownership structure or operational scale. While many STRs are owned by individual households and used intermittently, testimony and background materials presented to interim committees indicate that a subset of STRs are owned and operated by corporate entities, including private equity-backed firms or hospitality operators, with some companies owning and managing large portfolios of single-family homes used exclusively for short-term lodging.

Critics of a uniform residential classification argue that treating these properties the same as owner-occupied or lightly used residences may blur the distinction between residential and commercial activity and could shift tax burden away from high-revenue lodging operations and onto other taxpayers.

The New Mexico Tourism Department (NMTD) reports that short-term rentals were used by approximately 12 percent of out-of-state visitors in 2024, with 18,742 active short-term rental listings statewide as of January 2026, the majority of which are standalone homes. Short-term rentals generated an estimated \$555.4 million in rental revenues in 2025.

While this bill does not amend the Lodgers’ Tax Act, NMTD expresses concern that redefining short-term rentals as residential property could create ambiguity about whether such rentals should be considered non-commercial for other tax purposes. Although lodgers’ tax liability is based on occupancy rather than property tax classification, NMTD cautions that the change could introduce uncertainty for counties and municipalities regarding lodgers’ tax administration, particularly in communities where short-term rentals represent a large share of lodging activity.

ADMINISTRATIVE IMPLICATIONS

Implementation of the bill would require the Taxation and Revenue Department (TRD) to update

administrative rules, assessor guidance, forms, publications, and internal systems to reflect the revised definition of residential property. TRD would also need to provide updated statewide guidance and technical assistance to county assessors to ensure consistent application of the new classification standard.

TECHNICAL ISSUES

The bill does not specify a delayed or transitional effective date, which could create implementation challenges for assessors because property tax classification and valuation are determined as of January 1 of each tax year. If enacted without clarification, assessors may need to apply the revised definition mid-cycle, potentially affecting ongoing assessments, notices of value, and appeals already in progress, and creating uncertainty about whether the change applies prospectively to future tax years or retroactively to the current assessment year.

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