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FISCAL IMPACT REPORT

BILL NUMBER: Senate Joint Resolution 5

SHORT TITLE: Nonresidential Property Valuation, CA

SPONSOR: Padilla

LAST UPDATE: _____ **ORIGINAL DATE:** 2/4/2026 **ANALYST:** Faubion

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Property Tax	\$0	Indeterminate loss	Indeterminate loss	Indeterminate loss	Indeterminate loss	Recurring	Local Governments

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SOS	Up to \$52.0	No fiscal impact	No fiscal impact	Up to \$52.0	Nonrecurring	Other state funds
Total	Up to \$52.0	No fiscal impact	No fiscal impact	Up to \$52.0	Nonrecurring	Other state funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Related to House Bill 148.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Secretary of State

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

Taxation and Revenue Department

Department of Finance and Administration

Attorney General's Office

NM Municipal League

NM Counties

SUMMARY

Synopsis of Senate Joint Resolution 5

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Senate Joint Resolution 5 (SJR 5) proposes a constitutional amendment to Article 8, Section 1 of the New Mexico Constitution to authorize the Legislature to limit annual increases in the valuation of nonresidential property for property tax purposes. Under current constitutional language, valuation limitations are explicitly provided for residential property; this resolution would extend similar authority to nonresidential property by removing the residential-only restriction. The amendment would allow the Legislature to establish valuation increase limits by statute, including conditions on how such limits are applied, and would require voter approval at a statewide election before taking effect.

The joint resolution provides the amendment be put before the voters at the next general election (November 2026) or a special election called for the purpose of considering the amendment. The amendment would only be effective if approved by voters.

FISCAL IMPLICATIONS

Under Section 1-16-4 NMSA 1978 and the New Mexico Constitution, the Secretary of State (SOS) is required to print samples of the text of each constitutional amendment in both Spanish and English in an amount equal to 10 percent of the registered voters in the state. SOS is required to publish the samples once a week for four weeks preceding the election in newspapers in every county in the state. The number of constitutional amendments on the ballot may impact the ballot page size or cause the ballot to be more than one page, also increasing costs. The estimated cost per constitutional amendment is \$35 thousand to \$50 thousand, depending on the size and number of ballots and if additional ballot stations are needed.

The fiscal impact of this proposal is indeterminate and contingent on future legislative or local government action. The resolution itself does not impose a valuation limit on nonresidential property; any fiscal impact would depend on whether the Legislature or local governments subsequently adopt a valuation increase limitation and, if so, the specific rate and structure of that limit. If implemented, any valuation limitation would reduce the growth of the taxable nonresidential property base and therefore have a negative and potentially significant impact on property tax revenues relative to current law, though the magnitude of that impact would vary based on the rate of the valuation cap, underlying growth in nonresidential property values, applicable property tax rates, and the operation of yield control. Because yield control is calculated separately by taxing district, fiscal effects would differ across counties, municipalities, and school districts depending on local tax bases, rates, and growth patterns.

SIGNIFICANT ISSUES

Under current Article 8, Section 1 of the New Mexico Constitution, the Legislature is authorized to limit annual valuation increases for residential property only, and valuation or assessment limits for nonresidential property lack explicit constitutional authorization. As a result, legislation imposing nonresidential valuation limits prior to voter approval of a constitutional amendment could conflict with constitutional requirements that property taxes be equal and uniform within a class and assessed in proportion to value, exposing such provisions to legal challenge and potential invalidation. Even if constitutional authority is granted, any nonresidential valuation limit would be enabling rather than self-executing and would require separate implementing legislation or local government action to define the rate, scope, exemptions, and whether the limit applies statewide or as a local option, creating uncertainty

regarding timing and ultimate impacts.

Valuation limits would constrain growth in the nonresidential tax base and reduce property tax revenues relative to current law, with effects varying by taxing district due to yield control and potentially shifting tax burden across property classes and jurisdictions. New Mexico's experience with residential valuation limits illustrates these risks, as caps have contributed to distortions in effective tax burdens among residential properties by causing similarly situated properties to be taxed on substantially different assessed values depending on tenure and appreciation history. Extending valuation limits to nonresidential property could replicate or amplify these distortions, particularly in jurisdictions where a small number of high-value commercial properties account for a significant share of the tax base, while also increasing administrative complexity for county assessors tasked with tracking capped values and integrating them into yield-control calculations.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 148 which proposes nonresidential assessment limits.

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