



New Mexico Legislature

**ECONOMIC AND  
RURAL DEVELOPMENT  
AND POLICY  
COMMITTEE**

2025 HM 52 REPORT

*This document was compiled by the New Mexico  
Economic Development Department and does not reflect  
its opinions.*

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## MEMORIAL SUMMARY

Requesting the economic development department, the tourism department and the taxation and revenue department to establish a work group to study the economic impact, taxation and regulatory framework of short-term rentals across New Mexico; requesting suspension of reclassification of short-term rental properties until completion of the study.

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# REPORT FINDINGS, PERSPECTIVES

## New Mexico Short Term Rental

### Group Perspectives

- **Clarity first: define STR vs. LTR.** A short-term rental (STR) is a stay of **1–29 nights** in a Residential property. **30+ nights is long-term** stay in a Residential Property (functionally the same as month-to-month or annual renting). Both uses occur **inside a Residential dwelling** and should be treated as **residential use** for Property tax purposes, not as a stand-alone commercial facility.
- **Most STRs are not “full-time businesses.”** Of roughly **13,978** STRs statewide, **~15%** (<2,100) were available year-round; **~85%** were part-time/owner-used or seasonal. That’s fundamentally different from hotels and supports **residential** classification.
- **Jobs & economic impact (2023).** In 2023, NM STRs generated **\$746.3M** in direct visitor spending, **>\$1.01B** in total economic impact, and **~\$82.2M** in state/local taxes. The sector **supported ~14,555 NM households**, including **~6,083 traditional jobs** and **~8,472 home hosts** earning income. This is in addition to the homeowners who profit from their Short-Term Rental properties.
- From 2023 to 2025 Visit Albuquerque annual report showed a 13% increase in Short-term Rental guest nights, while total inventory of short-term rentals has remained relatively flat. Ruidoso NM has lost lots of inventory and tourism due to fires and flooding and is facing economic pressures across the entire hospitality sector in that region. Red River NM is facing severe short-term rental inventory reduction, and Negative Economic Impact due to the Taos county ordinance inventory cap of only 400 short term rental permits across the county.
- **Affordability & “home hacking.”** STRs help families **afford homeownership** by renting their home—or rooms—when not in use. **Caps, lotteries, and distance-spacing quotas** (e.g., Taos County cap; Santa Fe permit frictions) pick winners and losers—letting one neighbor prosper while blocking an identical use next door. Those with existing permits or more resources benefit; others (often first-time buyers) are locked out. HM52 should prefer **neutral, objective, due-process-based standards** over quotas.
- **Middle-class participation & red-tape barriers.** STRs are owned predominantly by **working- and middle-class households**, while the **wealthiest top 1% hospitality investors own hotels**. Owning a hotel requires extensive capital and assets that are not accessible to working and middle-class families. Cities have layered extensive **permit fees and paperwork** that target these small family businesses and gatekeep participation in tourism:
  - **Santa Fe example:** a builder restored an older Victorian and was told to purchase a **separate Short-term Rental permit for each bedroom** (~\$425 per room) **plus a**



\$35 business license, well over **\$2,000** in total, simply to host guests. He instead registered as a **hotel** and paid **\$35**.

- **Albuquerque:** STR permit/license ≈ **\$155/year** vs. **\$35** for a general hotel business license.
  - **Ruidoso:** STR permit/license ≈ **\$335/year**.  
These disparities do **not** reflect life-safety risk; they **limit economic mobility** for families who lack lawyers/staff to navigate bureaucracy.
  - **Village of Los Ranchos – De-facto exclusion via caps.** Capping permits (and making them non-transferable) can arbitrarily shut out compliant owners and depress property value at resale, even when the home meets life-safety standards. “Operators must be present on the property for the duration of the rental.”
  - **Taos County- Hard Cap 400 Homes-** Putting roughly 1600 small businesses out of business. This is also devastating hospitality in the Taos county regions and specifically Red River where the localized economy is built on STR tourism. This has also caused real-estate sales and real estate values to negatively decrease, effecting all homeowners in the upper Taos valley and Red River valley.
  - **Corrales NM** - \$175 annual fee for permit and Business license, vs \$35 for Hotel. Additionally the ordinance **is Discretionary**, hearing-based approval (not ministerial). Every STR must go to a Planning & Zoning Commission hearing, with public notice and a yard sign posted for 15 days. That’s slow, unpredictable, and open to discrimination and adds cost/controversy to a use the ordinance itself calls “strictly a residential use.”
  - **Rio Rancho NM** -
- **Residential classification should be uniform statewide.** Renting a home has always been considered residential use, whether long term or for shorter periods of time. STRs should remain **residential** whether stays are 1–29 nights (STR) or 30+ (LTR). Only a handful of assessors pursued commercial reclassification; **the other 29 counties did not treat STRs differently and kept them residential.** HM52 exists to evaluate, and pause, this patchwork.
  - **Assessment confusion is harming homeowners.** Local “decision trees” (e.g., Bernalillo, Santa Fe, Taos) diverge, producing inconsistent reclassifications, removal of the 3% residential cap, and sharp tax hikes resulting in tax lightning. A **single statewide definition change** to support property rights of **homeowners** will end the churn and ensure equal treatment across all 33 counties.
  - **Conflicting directives need resolution.** Assessors (e.g., Lara and Romero) have publicly said the **Property Tax Division (PTD)** forced reclassification. The **Governor’s Office letter (Nov. 6, 2023)** states the Governor and PTD “**have not advocated for change to the classification or reclassification of STRs.**” HM52 should reconcile these positions and issue definitive, uniform guidance.
  - **Availability (time on market) and future property use distinguishes STRs from hotels.** Most STRs are **not available 365 days**; many are owner-occupied part of the year or listed seasonally. STR’s are **not permanently used** for hospitality. Hotels are purpose-built, **continuously available**, staffed enterprises with on-site services. Policy should reflect this difference in **availability and intensity of use.**

- Many tourists are choosing Short-term rentals as their preferred lodging choice, and decreasing inventory of short-term rentals will result in loss of tourism to NM, as tourists choose to visit competing states that offer what they are looking for.
- **Ownership-form neutrality (LLCs).** Barring or disfavoring **LLC ownership** for STR licensing is bureaucratic overreach. LLCs are lawful entities commonly used by ordinary families for liability protection; prohibitions **do not** advance health/safety and **do** place working-/middle-class owners at a disadvantage.
- **Future-of-work context.** As AI/automation squeeze white-collar jobs, **tourism and owner-led lodging** are practical resilience strategies for NM households and small businesses. A fair, uniform STR framework aligns with pro-worker, pro-equity goals while sustaining visitor economies statewide.
- There is worry that the assessors reclassification of Residential property to Non-residential status may trigger mortgage note calls in the loans are found to no longer be in accordance of FannieMae and Freddie MAC Guidelines. Homeowners could lose their personal residence under with the mortgage note call from lenders and banks.

## New Mexico Short Term Rental Group Recommendations

- **Codify a uniform STR/LTR definition and keep residential dwellings residential.** Using the definition provided by New Mexico Association of Realtors – Ashley Strauss Martin
    - Clarify in §7-35-2 that residential **dwellings remain residential for property-tax classification even if rented short-term**; exclude purpose-built commercial lodging (hotels/motels) to avoid ambiguity.
  - **Pass the Short-Term Rental Preemption & Accountability Act.** Establish state guardrails that:
    - Preserve the **right to rent a Residential Dwelling for any duration**;
    - Allow ministerial local registration with **fee-parity caps** (no more than the general business license; if none exists, ≤ **\$50/year**) and **no spacing/density quotas**;
    - Tie occupancy to **life-safety** (square footage, egress, septic) rather than duration/frequency;
    - Provide **due-process** enforcement, including suspension for repeat/egregious violations;
    - **Issue statewide classification & assessment guidance.** Direct TRD/PTD to publish **binding, uniform guidance** confirming **residential** classification for STRs and adopt a **single decision framework** for assessors, boards, and treasurers to follow.
    - **Standardize local licensing to neutral, cost-based fees & safety.** Require fee parity with general business licenses; prohibit per-room permit schemes; ban distance-spacing/geographic quotas; prohibit ownership-form discrimination (e.g., against **LLCs and owner vs. non owner-occupied short-term rentals.**).
3. **Request All County Assessors Honor HM52's pause & timeline.** Maintain the requested **suspension of reclassifications** until the work group reports to interim committees by **December 1, 2025**, so 2026 or 2027 legislation can implement uniform statewide rules.

## New Mexico Short Term Rental Group Sources

- **HM52 (passed memorial text & hold language)** — work group scope, Dec. 1, 2025 reporting deadline; suspension request to assessors.
- **2023 New Mexico STR Economic Impact Study** — counts, availability shares, jobs/households, taxes, and total economic impact.
- **Residential definition drafts (Airbnb & NMAR)** — sample §7-35-2 language clarifying STRs remain residential.
- **Short-Term Rental Preemption & Accountability Act (model)** — fee parity, no spacing/density caps, life-safety occupancy, due process, advertising protection.
- **Decision-tree/valuation guidance (Short Term Rental Association & Cantera,)** — illustrates county variation and need for a single, statewide framework.
- **Governor Lujan Grisham Letter (Nov. 6, 2023)** — statement that the Governor/PTD did **not** advocate reclassification; underscores conflicting directives needing resolution.
- **Economic Impact of Tourism in New Mexico (2024, NMTD)** — context on statewide tourism performance.
- **2024 Annual Tourism Report (Visit Albuquerque)**
- Stakeholder case studies on file (e.g., Santa Fe per-room permit example; Taos County cap effects; Red River cease-and-desists) available upon request for appendix inclusion.
- Ordinances –(in HM-52 Working files under > Ordinances)
  - Albuquerque - O-30Enacted Albuquerque STR Ordinance
  - Santa Fe - Santa Fe Short term rental Ordinance
  - Taos County - Short-Term\_Rental\_Ordinance\_22-12 taos County
  - Rio Rancho - STR Ordinance Rio Rancho
  - Village of Los Ranchos - Los Ranchos STR ordinance
  - Village of Corrales - 19-006\_ordinance\_short-term\_rental\_ordinance Corrales NM

## New Mexico Mortgage Finance Authority (MFA) Perspectives

- **STR Effects on Housing Supply:** Housing supply for the typical short-term rental is inelastic, which “reduces the supply of housing available in the long-term rental market and increases the supply of rooms in the short-term rental market,” (Barron et al., 2020). Renters that are typically affected by the short-term rental market are usually in urban or highly tourist-centric areas. Wrede (2022) found that Airbnb rentals have an effect on units closer to the City center rather than on the suburbs. However, the greater offer for short-term rentals increased the number of residents with long periods of residence and reduced the number of residents in low-quality residential environments.
- **STR Effects on Housing Cost:** There are arguments that suggest that in the past the market for short-term rentals was small compared to the market of long-term rentals. Sheppard and Udell (2016) states that housing values increased by about 31% due to Airbnb. However, a higher percentage of Airbnb rentals increased rents by 1.3 – 3.1% (Koster et al., 2021). However, landlords are not incentivized to switch from long-term rentals to the short-term rental market thus driving up rent prices for the residents in the area (Barron et al, 2020). As a result of the increase in renting, the argument goes further that the rent increase is passed to homeowners the value of owning is relative to the income that can be generated from renting. Studies conducted by the California State University and the University of Southern California found that “at the median owner-occupancy rate zip code...a 1% increase in Airbnb listings leads to a 0.018% increase in rents and a 0.026% increase in house prices,” (Barron et al., 2020).
- Renters are more likely to be affected as they are more mobile and typically have lower income compared to their homeowner counterparts. A secondary consideration is that the STRs affect the ability to secure high quality space, “the decision-making situations of landlords, tenants, and homeowners allows conclusions to be drawn as to which social groups are being pushed out by new forms of short-term rentals: tenants with low credit ratings and unstable living conditions,” (Wrede, 2022). Typically, many renters lean towards apartments to save costs but are at economic disadvantage when being displaced by STRs. While the housing market faces many impasses including the lack of supply of units, increasing housing costs, regulatory constraints, and many macroeconomic effects, the effect of short-term rentals is furthering an already competitive market. Short term rentals have expanded, especially in regions that experience high bouts of tourism. Short term rentals are pushing lower-income long term renters out of the market. However, they offer an extra source of income for homeowners who face rising housing costs.

## MFA Sources

1. "About short-term rentals." *City of Santa Fe*. <https://santafenm.gov/land-use/short-term-rentals>
2. Barron, K., Kung, E., & Proserpio, D. (2020). "The effect of home-sharing on house prices and rents: Evidence from Airbnb." <http://dx.doi.org/10.2139/ssrn.3006832>
3. Koster, H. R.A., van Ommeren, J., & Volkhausen, N. (2021) "Short-term rentals and the housing market: Quasi-experimental evidence from Airbnb in Los Angeles." *Journal of Urban Economics*, 124. <https://doi.org/10.1016/j.jue.2021.103356>
4. White, K. & Thor, J. (2025). "Short-term rental regulations and residential housing affordability: bridging the gap between policy and enforcement." *Cornell Journal Of Law and Public Policy*. chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://community.lawschool.cornell.edu/wp-content/uploads/2025/04/White-Thor-final.pdf

Wrede, M. (2022). "How short-term rentals are changing the neighborhood." *International Regional Science Review*, 45 (4).

<https://doi.org/10.1177/01600176211059981>

## New Mexico Association of Realtors Perspectives

- Defending Private Property Rights
  - Fundamental property rights: Homeowners have the right to make lawful, reasonable use of their property, including short-term rentals (STRs), without facing tax reclassifications.
  - Precedent concern: Reclassifying STRs as non-residential could set a dangerous precedent for government overreach into how owners use their homes, undermining private property rights.
  - Consistency with residential character: Most STRs remain residential in nature, often owner-occupied and integrated within neighborhoods, not operated as commercial enterprises.
- Ensuring Uniformity Across All 33 Counties
  - Statewide fairness: Uniform tax treatment ensures property owners are not penalized differently depending on local interpretation or enforcement, as is currently occurring.
  - Avoiding administrative complexity: Reclassifying STRs as non-residential would complicate property assessments and lead to inconsistent valuations and appeals statewide.
  - Equal treatment: Maintaining residential classification ensures a level playing field and fair taxation for all homeowners across jurisdictions.
- Protecting Homeowners and Local Economies
  - Supporting economic stability: STRs help homeowners cover mortgages, property taxes, and maintenance costs, critical to affordability and long-term housing stability.
  - Discouraging burdensome taxation: Reclassification would significantly raise property taxes for everyday homeowners by removing the 3% residential valuation cap and discouraging participation in the local tourism economy.
  - Recognizing community integration: Unlike hotels or commercial properties, STRs are part of residential communities and have minimal commercial impact.
  - Preserving property values: Keeping STRs classified as residential supports stable valuations and protects homeowners' equity.

## New Mexico Association of Realtors

### Recommendations

- Maintain Residential Classification for STRs: STRs should remain classified as residential for property tax purposes to uphold private property rights, preserve fairness, and prevent disproportionate tax burdens on homeowners.

- **Legislative Effort to Ensure Uniform Classification Statewide:** NMAR supports a legislative effort to clearly define STRs as residential properties for tax purposes across all 33 counties, ensuring consistent treatment and preventing uneven enforcement.
- **Promote Uniformity in Assessment Practices:** The New Mexico Department of Taxation and Revenue should work closely with county assessors to maintain consistent classification and valuation standards statewide.
- **Address Local Concerns Through Regulation, Not Reclassification:** Local governments can address issues such as zoning, noise, or occupancy through ordinances rather than altering property tax classifications.
- **Protect Homeowners from Sudden Tax Increases:** Retaining the 3% residential valuation cap is essential to prevent sudden and excessive property tax increases that could harm homeowners.
- **Recognize STRs as Part of the Residential Housing Ecosystem:** Acknowledge STRs as a lawful and beneficial residential use that supports tourism, strengthens local economies, and allows New Mexicans to retain homeownership.

## New Mexico Assessors Perspectives

- I have stated that this group is not well represented since the beginning. I still don't believe we have a well balanced consensus of the community on this subject.



## New Mexico Government Agencies

### Taxation and Revenue Department Perspectives

- Pursuant to Section 7-36-16 NMSA 1978, County Assessors are required to ensure property tax assessments are current and correct.
- Pursuant to Section 7-35-2 NMSA 1978, “residential property” means property consisting of one or more dwellings together with appurtenant structures, the land underlying both the *dwellings* and the appurtenant structures and a quantity of land reasonably necessary for parking and other uses that facilitate the use of the dwellings and appurtenant structures. “*Dwellings*” includes both manufactured homes and other structures when used *primarily for permanent human habitation*, but the term *does not include* structures when used *primarily for temporary or transient human habitation* such as hotels, motels and similar structures.
- Pursuant to Section 7-35-2 NMSA 1978, “nonresidential property” means any property that is not residential property.
- The Taxation & Revenue Department believes that under these definitions, Assessors may determine that certain short-term rentals are non-residential if they are not used *primarily for permanent* human habitation.
- Tax & Rev supports uniformity in tax administration and sees benefits in legislation that would ensure short-term rentals are classified uniformly statewide.

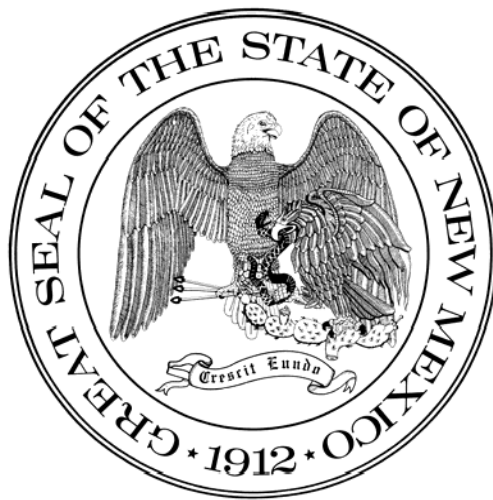
### Taxation and Revenue Department

#### Recommendations

- Any legislation seeking to clarify how short-term rentals are to be classified for property tax purposes may consider the following factors:
  - Expounding on the meaning of the word “primary” as used in Section 75-2 NMSA 1978;
  - The degree to which the short-term renting is isolated and occasional;
  - Whether the short-term rental is attached to, entered through, or otherwise contained within the owner’s primary residence;
  - Whether the owner of the short-term rental is a natural person;
  - Whether the owner of the short-term rental could provide an affidavit or attestation that the short-term rental was rented out less than a defined number of days within the previous calendar year;
- Consider any significant changes to be phased in over several years to allow property values to gradually adjust to new classifications.

## Taxation and Revenue Department Sources

- Article VII, Section 1, New Mexico Constitution
- Section 7-35-2 NMSA 1978



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