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FISCAL IMPACT REPORT

SPONSOR Gonzales
LAST UPDATED 3/9/23
ORIGINAL DATE 2/21/23
SHORT TITLE Land Valuation Agricultural Youth
BILL NUMBER Senate Bill 393
ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25	FY26	FY27		
				Indeterminate but Minimal	Recurring	General Obligation Bonds Yield
				indeterminate but negative	Recurring	State General Obligation Bond Capacity
		indeterminate but negative	indeterminate but negative	indeterminate but negative	Recurring	County, Municipal, School District, Special District operating and debt revenues shifts
				See Fiscal Implication	Recurring	County, Municipal, School District, Special District GOB capacity

Parenthesis () indicate revenue decreases.

Relates to and may conflict with Senate Bill 393

Sources of Information

LFC Files

Response Received From

Taxation and Revenue Department (TRD)

No Response Received

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Senate Bill 393

Senate Bill 393 modifies the agricultural use special valuation (7-36-20 NMSA 1978) by broadening the definition of agricultural use to include enrollment in a natural resources conservation programs under an agreement with a state or federal agency. Specifically, it broadens the definition of “agricultural use” to not just apply to land used for a federal soil

natural resources conservation program but to land used in any state or federal natural resources conservation program.

Of note, the locator title misrepresents the content of the bill. The bill does not concern “youth” in anyway.

This bill does not contain an effective date, and as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed. Because of the lack of an effective date or applicability date, it is possible it will take effect for the 2024 tax year.

FISCAL IMPLICATIONS

By somewhat broadening the income source criterion defining “agricultural use,” there may be more land qualifying for the agricultural valuation.

This bill may be counter to the LFC tax policy principle of adequacy, efficiency, and equity. Due to the increasing cost of tax expenditures, revenues may be insufficient to cover growing recurring appropriations. There is no impact on the state general fund or any state agency.

SIGNIFICANT ISSUES

Broadening the income source criterion defining “agricultural use,” thus qualifying the land for a reduced agricultural valuation, may lead to more land retired from active grazing to more passive conservation uses.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met because TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the agricultural valuation and other information to determine whether the agricultural valuation is meeting its purpose.

TECHNICAL ISSUES

NMDA points out that the conservation valuation of SB394 may provide an opportunity to qualify for both a conservation valuation and the slightly expanded agricultural valuation proposed in this bill.

LG/al/hg