

LFC Requester:	Jennifer Faubion
-----------------------	-------------------------

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

Analysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Date 01/25/2024

Original **Amendment**
Correction **Substitute**

Prepared: _____
Bill No: SB 207

Sponsor: Senator Wirth

Agency Name and Code Tourism - 418
Number: _____

Short Title: LODGERS' TAX, AFFORDABLE HOUSING & RENTALS

Person Writing Analysis: Victoria Gregg
Phone: 505-795-2176 **Email:** Victoria.Gregg@td.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Senate bill 207 creates an occupancy surtax of no more than 2.5% of taxable rent on short-term, single-family rentals (fewer than 30 days) pursuant to the lodgers' tax act and requires local governments that impose the surtax to use the proceeds to defray the cost of affordable housing.

FISCAL IMPLICATIONS

There are no direct fiscal implications for the tourism department, however there are potential impacts on the tourism industry.

SIGNIFICANT ISSUES

Access to affordable housing is a national concern, with impacts felt in New Mexico as well. In some cases, the short-term rental market can have adverse effects on housing stability. Improved affordable housing can lead to a more stable local workforce, which is beneficial for the tourism industry. Stable communities and a reliable workforce can enhance the overall quality of the tourism experience.

The proposed surtax of up to 2.5% in Senate bill 207 would allow communities which have opted in to defray the cost of affordable housing without having to use funds that are meant to be dedicated to tourism marketing and promotion. This preserves the intent of the Lodgers' Tax Act while potentially providing a positive impact on housing access. However, it is unknown how much revenue would be generated with this surtax, as communities would need to opt in and maintain policies which allow for accurate assessment and collection.

Some tourists are price sensitive. The additional surtax could lead to a marginal increase in the cost of short-term rentals, which may deter a segment of budget-conscious travelers. However, any potential impact is likely to be modest given the relatively small size of the surtax. Research into increasing occupancy taxes on consumer behavior is mixed, and there is no strong evidence

that higher occupancy taxes discourage visitation, though it may lead to compensatory spending changes in other categories.

Short-term rental operators would face the choice of absorbing the cost or passing it on to consumers. Most would likely choose the latter, which could lead to a slight decrease in competitiveness compared to other lodging options that are not subject to the surtax. This would be particularly noticeable in rural communities where lodging options are limited.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS