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## FISCAL IMPACT REPORT

<b>SPONSOR</b>	House Government, Elections and Indian Affairs Committee	<b>LAST UPDATED</b>	
		<b>ORIGINAL DATE</b>	03/06/2025
		<b>BILL NUMBER</b>	CS/House Bill 477/HGEICS
<b>SHORT TITLE</b>	Lodger’s Tax Exemption for Legislators	<b>ANALYST</b>	Faubion

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Occupancy Tax	\$0.0	Up to (\$470.0)	Up to (\$460.0)	Up to (\$460.0)	Up to (\$470.0)	Recurring	Counties
Occupancy Tax	\$0.0	Up to (\$7,270.0)	Up to (\$7,160.0)	Up to (\$7,140.0)	Up to (\$7,250.0)	Recurring	Municipalities

Parenteses ( ) indicate revenue decreases.  
 \*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From  
 State Ethics Commission (SEC)

Agency Analysis was Solicited but Not Received From  
 Taxation and Revenue Department (TRD)  
 Legislative Council Service (LCS)  
 Department of Finance and Administration (DFA)  
 The NM Municipal League (NMML)  
 Tourism Department (NMTD)

## SUMMARY

### Synopsis of HGEIC Committee Substitute for House Bill 477

The House Government, Elections, and Indian Affairs Committee Substitute for House Bill 477 (HB477) amends the Lodgers’ Tax Act to exempt all temporary lodging stays of at least 30 consecutive days from the occupancy tax. It removes language that previously excluded temporary lodging, defined as “lodgings for the purpose of housing a vendee within proximity of the vendee's employment or job location,” from this exemption.

The effective date of this bill is July 1, 2025.

## FISCAL IMPLICATIONS

Because leisure travelers are already exempt from the lodgers' tax for stays over 30 days, House Bill 477's impact is limited to work-related extended stays. While Airbnb reports over 20 percent of its bookings are for 28 or more days, this includes both leisure and business travelers, meaning only a fraction of those stays will become newly tax-exempt.<sup>1</sup> Business travelers account for roughly 50 percent of total hotel bookings, but most stays are under a week, with only a portion extending beyond 30 days.<sup>2</sup> The extended-stay hotel market in North America accounted for 34.47 percent of global accommodation revenue in 2023, driven by increased business travel, a growing remote workforce, and project-based assignments. Companies favor extended-stay hotels for employees on long-term assignments due to cost-efficiency and home-like amenities, further fueling demand. Despite this trend, many long-term business travelers already utilize tax-exempt corporate housing.

Ultimately, the bill's impact will depend on the mix of extended-stay travelers in each region. Oil and gas hubs, which rely on long-term business stays, may experience the steepest declines in tax revenue, while tourism-centric cities could see a smaller but still notable effect, particularly if film crews and seasonal workers shift toward tax-exempt lodging. Local governments that rely heavily on lodgers' tax for funding may need to adjust their budgets or explore alternative revenue sources to compensate for the potential shortfall.

LFC estimates this bill could result in a 5 percent to 10 percent reduction in lodgers' tax revenue, with 10 percent being a high-end estimate. LFC used a Department of Finance 2022 Occupancy Tax Report (Attachment A) to estimate the impact of the bill. The 2022 impact was grown by S&P Global's U.S. accommodation spending forecast. However, without detailed area-specific data on long-term business travel, the actual impact remains uncertain. While statewide projections suggest a modest reduction in revenue, certain regions—such as oil- and gas-producing areas or cities with a strong film industry presence—could be disproportionately affected.

## SIGNIFICANT ISSUES

The impact of House Bill 477 will likely vary across different regions of New Mexico, with some areas experiencing a greater reduction in lodgers' tax revenue than others. In particular, oil- and gas-producing regions, such as those in the Permian Basin (e.g., Hobbs, Carlsbad, and Artesia), are expected to be among the hardest hit. These areas rely heavily on extended-stay hotel bookings from oilfield workers, engineers, and contractors who often stay for weeks or months while working on drilling projects, infrastructure development, or maintenance. Because these stays are currently subject to lodgers' tax, exempting them could result in a significant loss of revenue for local governments that depend on these funds to support tourism-related infrastructure, public services, and community development. Given that extended-stay lodging is a key part of the oil and gas workforce's housing needs, these regions could see a disproportionate impact compared to other parts of the state. When the state approved the taxation of extended-stay business travel in 2020 (House Bill 117, 2020), the city of Roswell

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<sup>1</sup> <https://www.airdna.co/guides/five-airbnb-trends-dmos-need-to-watch-2023>

<sup>2</sup> <https://www.businesstravelnews.com/Lodging/AHLA-Business-Travel-Share-of-US-Hotel-Revenue-Down-Sharply-from-19>

estimated a 20 percent lodger’s tax revenue increase.<sup>3</sup>

In contrast, tourism-heavy areas like Santa Fe, Taos, and even Las Cruces may not be as severely affected, though they could still see some revenue declines. These areas attract long-term visitors, such as snowbirds—retirees who spend the winter months in warmer climates—seasonal ski industry workers, and festival employees. Many of these long-term visitors already take advantage of existing exemptions for leisure travelers staying over 30 days, meaning the bill's additional tax exemption for work-related extended stays would only affect a subset of lodgers. One potential area of concern, however, is the film industry. Cities like Albuquerque and Santa Fe frequently host long-term productions, and film crews, actors, and production staff often stay in hotels or short-term rentals for months at a time. If these stays are now exempt from lodgers’ tax, cities with a strong presence in the film industry may see a moderate revenue decline.

## OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate.

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### Attachments:

Attachment A: Lodger’s Tax Receipts, Fiscal Year 2022

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<sup>3</sup> [https://www.rdrnews.com/news/local/new-state-laws-prompt-suggested-lodgers-tax-changes/article\\_254ea67b-9416-5079-8548-7c07f2580e0d.html](https://www.rdrnews.com/news/local/new-state-laws-prompt-suggested-lodgers-tax-changes/article_254ea67b-9416-5079-8548-7c07f2580e0d.html)

## Attachment A

<b>Lodger's Tax Receipts for NM Municipalities And Counties</b>			
<b>DFA-Local Government Division</b>			
<b>2022 Fiscal Year Lodger's Tax Reports</b>			
<b>Lodger's Tax Rate</b>	<b>Municipality</b>	<b>2022 Lodger's Tax Revenue</b>	
5%	Alamogordo	\$	1,113,735
5%	Albuquerque	\$	14,824,389
5%	Angel Fire	\$	954,745
5%	Artesia	\$	424,984
5%	Aztec	\$	34,204
4%	Belen	\$	52,810
3%	Bernalillo	\$	184,745
3%	Bloomfield	\$	65,987
3%	Capitan	\$	5,773
5%	Carlsbad	\$	3,570,017
3%	Carrizozo	\$	16,975
5%	Chama	\$	168,435
4%	Cimarron	\$	24,846
5%	Clayton	\$	200,616
5%	Cloudcroft	\$	161,378
5%	Clovis	\$	729,791
5%	Columbus	\$	6,553
3.5%	Corrales	\$	8,780
3%	Cuba	\$	17,764
5%	Deming	\$	524,505
3%	Eagle Nest	\$	118,343
5%	Elephant Butte	\$	27,587
5%	Espanola	\$	79,446
5%	Farmington	\$	1,407,687
5%	Fort Sumner	\$	33,243
5%	Gallup	\$	1,798,971
5%	Grants	\$	493,503
3%	Hatch	\$	597
5%	Hobbs	\$	1,163,931
5%	Jemez Springs	\$	9,837
5%	Las Cruces	\$	3,058,973
4%	Las Vegas	\$	538,195
3%	Logan	\$	9,205
5%	Lordsburg	\$	266,954
4%	Los Lunas	\$	123,352
5%	Lovington	\$	103,463
4%	Magdalena	\$	8,646
5%	Mesilla	\$	25,376
3%	Milan	\$	1,878
5%	Moriarty	\$	313,288
3%	Mountainair	\$	4,709
5%	Portales	\$	127,250
5%	Raton	\$	540,279
5%	Red River	\$	954,745
5%	Reserve	\$	11,300
5%	Rio Rancho	\$	489,415
5%	Roswell	\$	2,402,689

5%	Ruidoso	\$	2,594,108
5%	Ruidoso Downs	\$	286,183
5%	Santa Fe	\$	14,476,465
5%	Santa Rosa	\$	376,224
5%	Silver City	\$	363,059
5%	Socorro	\$	462,163
3%	Springer	\$	8,916
5%	Sunland Park	\$	76,287
5%	Taos	\$	1,708,844
5%	Taos Ski Valley	\$	724,643
5%	T Or C	\$	367,724
5%	Tucumcari	\$	869,692
5%	Vaughn	\$	67,035
3%	Williamsburg	\$	1,718
<b>Municipal Total</b>		<b>\$</b>	<b>59,586,956</b>
<b>Lodger's Tax</b>			
<b>Rate</b>	<b>County</b>	<b>2022 Lodger's Tax Revenue</b>	
5%	Colfax	\$	198,560
5%	Eddy	\$	108,169
5%	Grant	\$	107,508
4%	Lincoln	\$	450,778
5%	Los Alamos	\$	345,650
5%	Rio Arriba	\$	149,354
5%	Sandoval	\$	11,986
5%	San Miguel	\$	119,649
4%	Santa Fe	\$	1,272,700
3%	Sierra	\$	12,479
3%	Socorro	\$	5,898
5%	Taos	\$	1,082,442
<b>County Total</b>		<b>\$</b>	<b>3,865,173</b>