

LFC Requester:	Jennifer Faubion
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AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.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}

Date 1/22/2026 *Check all that apply:*
Prepared: _____
Bill HB 37 Original Correct
Number: _____ ion _____
 Amend _____ Substit
 ment _____ ute _____

Spons _____ **Agency**
or: Kathleen Cates **Name and**
Code
Number: NMDA - 199
Person Writing
Analysis: Jeff Witte
Short Man-Made Water **Pho** _____ **Em** Jheitz@nmda.nm
Title: Infrastructure Failure **ne:** 575-294-3817 **il:** su.edu

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
N/A	N/A	N/A	N/A

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
N/A	N/A	N/A	N/A	N/A

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI	N/A	N/A

(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:

House Bill 37 (HB 37) amends definitions found in the special method of tax valuation for agricultural use (7-36-20 NMSA 1978). HB 37 amends the definition of “agricultural use” to include resting lands as the direct result of man-made infrastructure failure in a special water district that results in deliveries of seventy percent or less of what was delivered to all of the district’s customers in the previous year. To qualify, the land must have been in agricultural use in the immediately preceding tax year, as defined in 7-36-20 NMSA 1978 subsection B, paragraph 2, subparagraphs (a) through (d). “Special water district” (district) is defined to include four categories of special districts found in Chapter 73 NMSA 1978 and any other entity with statutory authority to deliver water to customers. HB 37 directs districts experiencing infrastructure failures that result in qualifying delivery reductions to certify this information to the appropriate county assessor. Lastly, HB 37 specifies that its provisions shall apply from the 2026 tax year onwards.

FISCAL IMPLICATIONS

There would be no fiscal implications for New Mexico department of agriculture (NMDA).

SIGNIFICANT ISSUES

The special method of valuation under section 7-36-20 NMSA 1978 is intended to maintain the continued use of agricultural lands in active production. For lands to qualify for the special valuation method, there must be a bona fide primary agricultural use of the land and the capacity to produce agricultural products. Section 7-36-20 NMSA 1978 statutorily defines agricultural use to include the production of agricultural products, enrollment in a federal soil conservation program, the resting of land to maintain agricultural capacity and the resting of land due to drought conditions.

However, mechanical failures of water delivery infrastructure may prevent the productive use of otherwise bona fide agricultural lands in the short- and medium-term. For example, the failure of the Corrales siphon in the middle rio grande conservancy district has constrained water deliveries to farmlands in the Corrales area since 2022. This failure has forced some landowners to rest agricultural lands due to lack of irrigation water.

In 2023, the United States department of agriculture estimated that over 5,100 farms in New Mexico (roughly one quarter of all farming operations in the state) used water from off-farm

sources, including special water districts.

PERFORMANCE IMPLICATIONS

N/A

ADMINISTRATIVE IMPLICATIONS

There would be no administrative implications for NMDA.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

On page 3, lines 10-12, the construction of the clause, “results in a delivery of seventy percent or less than what was delivered to all of the district's water users in the previous calendar year,” is ambiguous and may allow for multiple interpretations. Here are some potential issues:

Related to “previous calendar year,” one may understand the clause to mean that water deliveries to a given property in a given tax year must be compared to deliveries made in the year preceding that tax year. In this instance, the clause would fail to account for the fact that water supply fluctuates year-to-year in many special water districts, and a high-supply year following a low-supply year might hide the delivery impact of infrastructure failure. I.e. it is possible that an assessed farm might not receive enough water to produce agricultural products due to infrastructure failure but still receive more than 70% of the previous year's universally poor supply.

Another interpretation of the clause might understand “in the previous calendar year” to simply refer to the calendar year for which taxes are being assessed. In this instance, the comparison of water delivery amounts would be made between the property affected by infrastructure failure and the deliveries made to “all of the district's water users” in that same year. This interpretation would more closely reflect the impact of man-made infrastructure failures year-to-year.

As worded, “what was delivered to all of the district's water users” does not unambiguously describe the amount of water an assessed property could receive absent infrastructure failure. Individual users within a district may receive different amounts of water for various reasons (differing acreages, needs, stacking of rights, location etc.), so there may not be an equal delivery to each user. Instead, a reference to the district's maximum allocated delivery per land area, or an average of the deliveries made to those users of the district that are not affected by man-made infrastructure failure, might more clearly describe the desired comparison.

Additionally, NMDA is unclear whether a landowner can continue to receive the agricultural use tax valuation if they rest land for consecutive years as the result of a qualifying infrastructure failure. For resting of land due to infrastructure failure to qualify as agricultural use, SB 37 adds the following stipulation: “provided that the land was used primarily for a purpose identified in

Subparagraphs (a) through (d) of this paragraph in the tax year immediately preceding the previous tax year.” If land qualifies for agricultural use under subparagraph (e) (resting land due to infrastructure failure) for a given tax year, it seems it would not be able to meet the conditions for subparagraph (e) in the following tax year. This may cause issues for landowners if infrastructure failures persist over multiple years.

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 37 is not enacted, the special method of tax valuation for agricultural use will not be amended. The definition of “agricultural use” for the purposes of the agriculture use tax valuation will not include resting lands as a result of infrastructural failure in a special water district.

AMENDMENTS

N/A