

LFC Requester: _____

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

Check all that apply:

Original Amendment
Correction Substitute

Date 1-20-2026
Bill No: HB186

Sponsor: Rep. Susan Herrera, Rebecca Dow, Sen. Roberto Gonzales
Short Tax Credit for Conveyance of Property

Agency Name and Code EMNRD 521
Number: _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or	Fund Affected
FY26	FY27	FY28		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$130.0	\$130.0	\$260.0	Recurring	General

(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: HB186 amends the Land Conservation Tax Credit Act (LCIA) Section 7-2-18.10 NMSA 1978 to raise the amount of tax credit that may be claimed by a landowner when conveying land or an interest in land for conservation purposes. The tax credit amount is raised from \$250,000 to \$2 million for a conveyance made after July 1, 2026, and the tax credit amount can be up to 80% of fair market value of the land.

HB186 clarifies that a taxpayer may only qualify for one tax credit per taxable year. HB186 also allows the portion of the tax credit that exceeds a taxpayer's income tax liability to be refunded to the taxpayer.

FISCAL IMPLICATIONS

Implementation of HB186 will require one new FTE in the Energy, Minerals and Natural Resources Department, Forestry Division. Currently the Division receives approximately a dozen applications per fiscal year, and these applications are processed by an FTE whose duties include managing three other land conservation programs. Because HB186 will result in an increase in the volume of applications, the Division will require one dedicated FTE to administer applications.

SIGNIFICANT ISSUES

Section 1.F. that allows the portion of the tax credit that exceeds a taxpayer's income tax liability in the taxable year in which the credit is claimed to be refunded to the taxpayer. This is anticipated to substantially increase the volume of applications for the tax credit and/or refund. This change provides an incentive for property owners who don't have the income to benefit from a tax credit to conserve their land. Increased conservation has overall benefits to New Mexico such as more open space, biodiversity conservation, agricultural preservation, watershed protection, and historic preservation.

The State Forest Action Plan 2020-2030 identified the need to increase access to land conservation programs regardless of the property owner's income. HB186 would contribute to the goal of providing more conservation opportunities for landowners who are property-rich and cash-poor, especially in areas with development pressure.

However, an increase in applications will affect both the Forestry Division and Taxation and Revenue Department (TRD). Currently, the Forestry Division issues a request for proposals for applications for the tax credit, and EMNRD processes the applications to verify the conservation value of the property. TRD receives the application, processes the appraisal review, and issues the tax credit based on EMNRD verification of conservation value.

Section 1.J. strikes "taxation and revenue" from line 11 and adds a numbering requirement on line 22. The number requirement will trigger a rule amendment to NMAC 30-13.20, which does not currently require numbering.

TRD responsibilities are to conduct appraisal reviews for each application and issue the tax certificate. Appraisers with experience in conservation valuation are limited in New Mexico. If the volume of applications increases, then appraisal reviews will likely take longer, which in turn will diminish the ability to process tax credits or refunds in the tax year in which they were submitted.

Section 1.C. would increase the amount of credit that may be claimed by a taxpayer from \$250,000 to \$2,000,000. This change is in response to the increased value of land, especially larger properties with water rights and development potential. The Forestry Division reviewed applications for the land conservation investment tax credit from FY2020 to FY2025 and found there was only one landowner who would have benefitted from a \$2,000,000 tax credit limit. The data also showed that if the amount of credit was \$1,000,000 there were four landowners who would have benefitted.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB186 is not enacted the tax credit caps will remain low and owners of property with high conservation value will be less likely to place conservation easements on their land. In addition, owners of property with low amounts of taxable income will continue to be excluded from the conservation opportunities afforded to high-income landowners.

AMENDMENTS