

**Bill Analysis and Fiscal Impact Report  
Taxation and Revenue Department**

**February 18, 2026**

**Bill:**

HM-62

**Sponsor:**

Representative Nathan P. Small

**Short Title:**

Study Tax, Rentals, Infrastructure & Funding

**Description:**

This house memorial (HM) requests the Taxation and Revenue Department (Tax & Rev), the Tourism Department (TD), the Economic Development Department (EDD), the New Mexico Municipal League (NMML) and the New Mexico Association of Counties (NMAC) to convene a task force (TF) to complete a comprehensive study to determine: the feasibility and fiscal impact of having a centralized collection and remittance of local lodgers' tax and gross receipts tax (GRT) related to short term rentals (STRs); a uniform framework for short-term rental property classification that would provide consistency across New Mexico and balance residential protections; the economic impact of short-term rentals; and the potential of funding for infrastructure, public safety, affordable housing, and essential local government services.

The task force is requested to include members of the New Mexico Short-Term Rental Association, a short-term rental platform, New Mexico Association of Realtors, rural municipal officials, county treasures, and workforce development and small business stakeholders.

The HM also requests county assessors to pause any new or ongoing property tax reclassifications of short-term rental properties until the findings and policy recommendations have been provided to the appropriate legislative committees by October 1, 2026.

**Effective Date, Applicability, and Contingency Language:**

Not specified or 90 days following adjournment (May 20, 2026).

**Taxation and Revenue Department Analyst:**

Sara Grubbs and Lucinda Sydow

**Methodology for Estimated Revenue Impact:**

The proposed TF does not affect any revenue sources directly. The pause on reclassification of short-term properties may have an impact on county property tax revenue. The impact on any one county will depend on current assessor practices, if a county assessor would otherwise have revalued a residential property as a nonresidential property but as a result of this HM will pause, may result in a minimum negative fiscal impact.

**Policy Issues:**

In the 2025 legislative session, HM-52 established a work group to study the economic impact, taxation, and regulatory framework of STRs in New Mexico (see HM-52 recommendations below). This HM furthers the study performed under HM-52, with the creation of a TF to study and produce a comprehensive report that includes studying the feasibility of centralizing the collection of the lodgers' tax and other tax revenue, proposing a uniform property tax policy towards short-term rental property and associated statutory changes, contemplation of changes to gross receipts tax incidence on short-term rentals, and an economic impact study on short-term rentals. Not only is the TF requested to take into consideration the areas above into findings and recommendations by October 1, 2026. As part of the study, the TF is requested to consider New Mexico's history, culture, and outdoor activities, local business vitality, impacts on tourism, and the

development of the entrepreneurship ecosystem & work force development in rural communities. The TF study is requested to include recommendations on the redirection of funding towards public infrastructure and local service funding.

Because the task force study from HM-52 was recently completed, Tax & Rev recommends narrowing the scope of the study to centralization of lodgers' tax.

A STR is generally considered a stay of 1 to 29 nights and over 30 nights is considered a long-term rental for lodgers' tax purposes. Most STR are not rented to third parties for the entire year. Many are occupied by their owners for part of the year or are offered for rent only on a seasonal basis. Approximately 85% of STRs are not full-time businesses.<sup>1</sup> Hotels, on the other hand, are purpose-built, continuously available, staffed enterprises with on-site hospitality services.

A uniform definition and classification of STRs is critical if the purpose is to create a centralized tax program to collect and remit the local lodgers' tax and GRT from STRs. The National Conference of State Legislatures provides the following considerations for STR classification:

- Use of the property – States may categorize STRs as residential or commercial. Common metrics to determine use may include the number of nights the property is used for STRs or classifying properties based on the percentage of square footage dedicated to residential or commercial use.
- Characteristics of the property – STR property can widely vary in their structural attributes. Common metrics may include the number of units within certain types of housing or the number of bedrooms available for rent in single family housing.
- Location of the property – Some states differentiate classifications for STR in specific regions, counties, or municipalities, meaning that identical properties could be classified as residential in one part of the state and as commercial in another.

All real property, including STRs, is subject to property taxation according to its assessed value. An STR's classification or reclassification can result in sharp tax hikes for homeowners. If there are loans on the STR property, it is possible that the reclassification of residential property to nonresidential status may trigger mortgage note calls as the loans are no longer in compliance with FannieMae and Freddie MAC guidelines. Homeowners could lose their personal residence with the mortgage note call from lenders and banks.<sup>2</sup>

New Mexico and 19 other states do not have property tax classifications specific to STRs. 12 states have one classification, and 18 states have multiple classifications. Hawaii and Illinois have classifications set by local government, and not by state policy.<sup>3</sup> Currently, New Mexico STRs are classified as residential or nonresidential based on the statutory definitions in the Property Tax Code and upon county assessor action.

In most states, STRs are subject to some type of taxation whether the tax is called a lodgers tax, bed tax, or are subject to a state's sales or use tax. STRs are currently subject to New Mexico's GRT. The owner or a promoter (such as Airbnb or VRBO) that lists an STR property remits GRT to the State.

Currently, states also allow counties and municipalities to levy their own STR taxes, meaning an STR is subject to multiple forms of taxation. This aspect can complicate the collection of STR taxes as counties or municipalities' have different tax rates, property classifications, or property appraisal methods. In New Mexico, collection of data is further complicated by the fact that 33 counties have their own methods of

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<sup>1</sup> 2025 HM-52 Report presented to the Economic and Rural Development and Policy Committee

<sup>2</sup> 2025 HM-52 Report presented to the Economic and Rural Development and Policy Committee

<sup>3</sup> <https://www.ncsl.org/fiscal/state-taxation-of-short-term-rentals>

remittance and collection of lodgers' tax, and often this is due to the software provider. Consequently, counties may not have the resources to provide certain data to the task force.

In 2023, approximately 14,500 New Mexico households derived income from STRs.<sup>4</sup> Most STRs are owned by working- or middle-class households and help the families afford homeownership. A loss of revenue or increased taxes could be financially damaging.

The New Mexico Short Term Rental Group, established by HM-52, provided the following recommendations for STRs:

- Codify a uniform STR/ long term rental definition and keep residential dwellings residential, using the definition provided by New Mexico Association of Realtors.
  - Clarify in Section 7-35-2 NMSA 1978 that residential dwellings remain residential for property-tax classification even if rented short-term; exclude purpose-built commercial lodging (hotels/motels) to avoid ambiguity.
- Pass the Short-Term Rental Preemption & Accountability Act. Establish state guardrails that:
  - Preserve the right to rent a Residential Dwelling for any duration;
  - Allow ministerial local registration with fee-parity caps (no more than the general business license; if none exists, ≤ \$50/year) and no spacing/density quotas;
  - Tie occupancy to life-safety (square footage, egress, septic) rather than duration/frequency;
  - Provide due-process enforcement, including suspension for repeat/egregious violations;
  - Issue statewide classification & assessment guidance. Direct Tax & Rev to publish binding, uniform guidance confirming residential classification for STRs and adopt a single decision framework for assessors, boards, and treasurers to follow.
  - Standardize local licensing to neutral, cost-based fees & safety. Require fee parity with general business licenses; prohibit per-room permit schemes; ban distance-spacing/geographic quotas; prohibit ownership-form discrimination (e.g., against LLCs and owner vs. non owner-occupied short-term rentals.).
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- Request All County Assessors Honor HM-52's pause & timeline. Maintain the requested suspension of reclassifications until the work group reports to interim committees by December 1, 2025, so 2026 or 2027 legislation can implement uniform statewide rules.

The Taxation and Revenue Department also recommends the following:

- Any legislation seeking to clarify how short-term rentals are to be classified for property tax purposes may consider the following factors:
  - Expounding on the meaning of the word “primary” as used in Section 75-2 NMSA 1978
  - The degree to which the short-term renting is isolated and occasional;
  - Whether the short-term rental is attached to, entered through, or otherwise contained within the owner's primary residence;
  - Whether the owner of the short-term rental is a natural person;
  - Whether the owner of the short-term rental could provide an affidavit or attestation that the short-term rental was rented less than a defined number of days within the previous calendar year; and
- Consider any significant changes to be phased in over several years to allow property values to gradually adjust to new classifications.

### Technical Issues:

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<sup>4</sup> Ibid.  
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None.

**Other Issues:**

None.

**Administrative & Compliance Impact:**

Tax & Rev estimates participation on the tax force from the Secretary of the Department, the Director of Tax & Rev’s PTD, staff of PTD and the Office of the Secretary (OOS). PTD estimates 124 hours for two staff over the course of the 31 weeks to the culmination of the recommendation on October 1, 2026. Tax & Rev estimates the Secretary will participate in at least five meetings of two hours each. Tax & Rev OOS estimates 100 hours split between two staff over the course of the 31 weeks.

**Estimated Additional Operating Budget Impact\***

<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>3 Year Total Cost</b>	<b>Recurring or Non-Recurring</b>	<b>Fund(s) or Agency Affected</b>
\$14.4	\$1.4	--	\$24.8	NR	PTD – Staff workload
\$3.3	\$2.2	--	\$5.5	NR	OOS – Staff workload

\* In thousands of dollars. Parentheses ( ) indicate a cost saving. \*\* Recurring (R) or Non-Recurring (NR).

**Related Bills:**

Relates to HM-52 (2025 regular session)