

LFC Requester: _____

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION
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(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 Prepared: 1/28/2026 *Check all that apply:*
Bill Number: S58-341 Original Correction
 Amendment Substitute

Sponsor: Sen. Berghmans **Agency Name and Code Number:** DFA-341
Short Title: EXTEND PROPERTY TAX EXEMPTION PERIOD **Person Writing Analysis:** George Hypolite
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)0

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

0

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(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

Senate Bill 58 (SB58) updates current laws to lengthen the property tax exemption for project properties in metropolitan redevelopment areas from seven or ten years to fourteen years. It details the conditions for payments in lieu of taxes during this exemption and explains how the county treasurer handles these payments. The law applies to leases signed after it takes effect.

- **Extension of Property Tax Exemption Period:** The property tax exemption period for project properties acquired by local governments under the Metropolitan Redevelopment Code is extended from seven years to fourteen years from the date of acquisition.
 - For properties acquired or held by municipalities prior to January 1, 1986, the exemption period is extended from ten years to fourteen years from the date of execution of the first lease of the project.
- **Payments in Lieu of Taxes (PILOT):** Lessees or owners of substantial beneficial interests in project properties, whose ownership would not otherwise qualify for property tax exemption, are required to make annual payments to the county treasurer during the exemption period.
 - These payments are calculated based on:
 - General property taxes that would have been imposed if the property were not exempt.
 - Additional amounts that would have been imposed under Subsection C of Section 7-37-7 NMSA 1978.
 - Benefit assessments that would have been imposed if the property were not exempt.
- **Distribution of Payments:** The county treasurer is tasked with distributing the collected payments in the same manner as taxes or assessments on nonexempt property.
 - **Applicability:** The provisions of this act apply only to leases of project property executed on or after the effective date of the act.

FISCAL IMPLICATIONS

Revenue Impact to Local Governments

- By extending the exemption period, SB58 delays the inclusion of redeveloped project property on the regular property tax rolls for an additional seven years.

- As a result, counties, municipalities, school districts, and other taxing entities may experience a longer period without receiving full ad valorem property tax revenues based on the post-redevelopment value of the property.
- This may reduce local taxing entity bonding capacity.
- Since ad valorem taxes are also used to pay off outstanding general obligation bond debt locally, a decrease or delay in property tax collections can reduce the revenue available for debt service, potentially decreasing the coverage margin for bondholders, and causing violations of the Bateman Act (§6-6-11, NMSA 1978).

PILOT Revenue Characteristics

- Under SB58, during the extended exemption period, PILOT payments must still be made.
 - These payments are based on the property's taxable value from the year before it was acquired by the local government and do not account for increases due to redevelopment, inflation, or market growth.
- Accordingly, while PILOTs provide a predictable revenue stream, that stream may be significantly lower than the property tax revenues that would otherwise be generated once the property is returned to the tax rolls.

Timing and Magnitude of Revenue Effects

- The fiscal impact is mainly a timing issue, not a revenue loss, varying by project and jurisdiction based on:
 - The number of redevelopment projects qualifying for the extended exemption;
 - The duration of the exemption applied to each project;
 - The difference between pre-acquisition and post-redevelopment assessed values; and
 - Local mill levy rates.
- In areas experiencing significant redevelopment or appreciation, the delay in realizing higher assessed values may be more pronounced.

Distributional Effects

- Because PILOT payments are distributed in the same manner as property tax revenues, the fiscal impact is shared proportionally among all taxing entities.
 - Entities that rely heavily on property tax revenues, including school districts and special districts, may face prolonged constraints on revenue growth in redevelopment areas.

Impact on State Property Tax Collections

- New Mexico's state property tax (1.36 mills) is levied on the net taxable value of all property in the state and is applied after exemptions.
- SB58 extends the exemption period for metropolitan redevelopment project property from 7 to 14 years, so these properties will remain with a reduced taxable value for an extra seven years.
 - Consequently, the state's share of property tax revenues from these redevelopment areas will decline during the extended exemption period because PILOT payments are based on pre-acquisition values, not the potentially higher assessed values after redevelopment.
 - While PILOTs generate some revenue, they do not completely substitute for the property taxes that would normally be collected at current mill rates, including the 1.36 mills.

Long-Term Considerations

- If the extended exemption period encourages redevelopment projects that might not happen otherwise, SB58 could lead to higher assessed property values and increased property tax revenues after the exemption ends.
 - However, these potential long-term gains are uncertain and occur beyond the extended exemption period.

SIGNIFICANT ISSUES

Implications for General Obligation (GO) Bond Security

- State property tax revenues, including those from the 1.36-mill levy, are pledged to secure the repayment of GO bonds.
 - Any decrease or postponement in property tax collections might reduce the revenue available for debt payments, which could lower the coverage margin required under existing bonds or required for future bond sales.
- In practice, the impact is likely modest at the statewide level because
 - Metropolitan redevelopment projects represent a small share of the total state property tax base;
 - PILOT payments continue during the exemption period, partially offsetting lost revenue.
 - The state's levies and bond structures are designed to absorb moderate fluctuations in property tax collections.

- However, analysts and rating agencies will observe that long-term exemptions can slow down near-term growth of the property tax base, which could be important when assessing future GO bond issuance or coverage ratios.
 - If the number of metropolitan redevelopment areas and projects utilizing the proposed tax exemption increases substantially, it could lead to greater impacts on property tax revenues used to secure and repay general obligation bond debt, affecting both state and local levels.

PERFORMANCE IMPLICATIONS

The enactment of SB58 could have several potential performance implications:

- **Increased Incentives for Redevelopment Projects:** By extending the property tax exemption period from 7 or 10 years to 14 years, SB58 may encourage more developers and investors to participate in metropolitan redevelopment projects.
 - The longer exemption period creates debt financing incentives that may reduce the financial burden on developers, making such projects more attractive.
- **Delayed Property Tax Revenue for Local Governments:** Extending the exemption period means that local governments may experience a delay in receiving property tax revenue from these redevelopment properties. This could impact funding for public services and infrastructure in the short term.
- **Potential Increase in PILOT Payments:** While property taxes are exempt, lessees or owners of substantial beneficial interests in project properties are required to make payments in lieu of taxes (PILOT).
 - These payments could partially offset the loss of property tax revenue during the extended exemption period, depending on the valuation of the property and the payment structure.
- **Long-Term Economic Growth:** The extended tax exemption could lead to increased investment in metropolitan redevelopment areas, potentially boosting local economies, creating jobs, and improving infrastructure.
 - This could result in higher property values, increased tax revenue, and less reliance on state appropriations or funding, once the exemption period ends.
- **Impact on Bonded Indebtedness:** For properties acquired before January 1, 1986, the exemption period is tied to the duration of outstanding bonded indebtedness. Extending the exemption period may affect the financial planning and repayment schedules for municipalities.

ADMINISTRATIVE IMPLICATIONS

The administrative implications of SB58 primarily involve increased workload, system updates,

and coordination among local government entities. While these changes may require additional resources and effort, they are necessary to ensure proper implementation and compliance with the extended property tax exemption period.

- County treasurers will face a higher workload as they must calculate, collect, and distribute Payments in Lieu of Taxes (PILOT) from lessees or owners with significant beneficial interests in project properties throughout the extended exemption period. This could necessitate additional resources or staff to handle the increased administrative demands.
- ▪ Adjustments to Tax Assessment Processes: County assessors and the Taxation and Revenue Department must consider the extended exemption period when appraising project properties in metropolitan redevelopment zones. This may necessitate updates to current systems and procedures to align with the new timeline.
- ▪ Monitoring and Compliance: Local authorities must oversee the exemption period for each project property to verify proper payments and ensure exemptions are only granted during the designated 14-year timeframe. This may require more careful tracking of acquisition and lease execution dates.
- ▪ Coordination Between Agencies: Effective implementation of SB58 will require coordination among municipalities, county treasurers, and tax assessors to ensure accurate application of exemptions and proper collection and distribution of PILOT payments.
- ▪ Impact on Budget Planning: Local governments must incorporate the delayed property tax revenue into their budget planning. This may necessitate revisions to financial forecasts and the distribution of resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A.

TECHNICAL ISSUES

N/A.

OTHER SUBSTANTIVE ISSUES

N/A.

ALTERNATIVES

N/A.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

N/A.

AMENDMENTS

N/A.