

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

**February 17, 2026**

**Bill:**

SB-149

**Sponsor:**

Senator Jay C. Block and Representative Harlan Vincent

**Short Title:**

Property Tax Code Definitions

**Description:**

This bill changes the definition “residential property” of in Section 7-35-2 NMSA 1978 to include structures that are leased or rented to lodgers for any duration of time and specifies that it does not include commercial structures.

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

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

**Taxation and Revenue Department Analyst:**

Lucinda Sydow

**Estimated Revenue Impact\***

<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>	<b>Recurring or Non-Recurring</b>	<b>Fund(s) Affected</b>
(Unknown future negative impact, see narrative)					R	Counties, Municipalities, Property Taxing Districts
(Unknown future negative impact, see narrative)					R	State General Obligation Bond Fund

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

**Methodology for Estimated Revenue Impact:**

The Taxation and Revenue Department (Tax & Rev) presumes that the bill may be amended to clarify the language under “residential property” (see Technical Issues). Tax & Rev calculates that there will be no short-term impact from the proposed change as those properties that currently are leased or rented and that are converted from nonresidential properties to residential properties will not be revalued under the bill. Thus, their property tax valuation will remain at the current level and hold their value at the new limitation of value. But over time, whereas previously their valuation could increase faster than the 3% residential limitation and as residencies are converted to short-term lease or rent are added to the housing market, those properties will no longer increase more than 3% per year in valuation. Counties will see a decline in their nonresidential property tax base with a subsequent increase in residential (though slightly less due to the 3% cap on residential valuation growth). The impacts to any one county will depend on current assessor practice as well as the demand and supply of long-term rental needs and for tourist demand for short-term recreational leases. In addition, if this bill results in lower valuations for some properties over time, it is likely that total revenue collected by any property taxing entity will be unchanged through yield control.

**Policy Issues:**

Tax & Rev presumes that the intent of the proposal is to classify residential properties that are or are converted into short-term rentals as residential properties. Current law allows assessors to treat these properties as nonresidential properties, but only some county assessors have done so. By providing clear statutory direction to classify these properties as residential, county assessors will value short-term rentals uniformly statewide. These properties will be valued comparable to current residential properties which are

taxpayer's primary residence. These properties will then be under the limitation 3% cap on valuation increases of residential property versus no such limitation under nonresidential properties. As noted in the revenue impact, the impact of this proposal is likely to be implemented slowly and depend on the makeup of properties in each county. To compensate for changes in the property tax base under yield control, other nonresidential properties and current residential properties would need to absorb the difference resulting in further horizontal inequity among taxpayers and their ability to pay.

**Technical Issues:**

On page 3, subsection K, line 11, the bill adds to the definition of "residential property", "and that are leased or rented to lodgers for any duration,". The inserted language is interpreted to mean that residential property must be a dwelling used for human habitation and leased or rented to lodgers because of the use of the word 'that', which is referring to the structures used for human habitation. Tax & Rev suggests for clarity in the statute, that on line 11, the word "and" be replaced with "or."

On page 3, subsection K, line 14, the proposal adds the word "commercial" to the definition of "residential property." The property tax code does not include a definition for "commercial." Tax & Rev suggests replacing the word "commercial" with "non-residential property" which is defined under Subsection G.

Tax & Rev recommends that there be an applicability date tied to a definitive tax year so that the proposal aligns the change for property tax valuation and county budgeting planning cleanly.

**Other Issues:**

None.

**Administrative & Compliance Impact:**

Tax & Rev's Property Tax Division (PTD) will assist county assessors in implementing this bill and provide further guidance for uniformity across all counties.