

HOUSE AGRICULTURE, ACEQUIAS AND WATER RESOURCES
COMMITTEE SUBSTITUTE FOR
HOUSE BILL 37

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

AN ACT

RELATING TO PROPERTY TAX; PROVIDING THAT THE RESTING OF LAND
DUE TO A SPECIAL WATER DISTRICT'S FAILURE OF MAN-MADE WATER
INFRASTRUCTURE THAT RESULTS IN LESS WATER BEING DELIVERED MEANS
"AGRICULTURAL USE" FOR THE PURPOSE OF THE VALUATION OF PROPERTY
FOR PROPERTY TAX PURPOSES; REQUIRING A SPECIAL WATER DISTRICT
TO CERTIFY WATER SCARCITY TO A COUNTY ASSESSOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-36-20 NMSA 1978 (being Laws 1973,
Chapter 258, Section 21, as amended) is amended to read:

"7-36-20. SPECIAL METHOD OF VALUATION--LAND USED
PRIMARILY FOR AGRICULTURAL PURPOSES.--

A. The value of land used primarily for
agricultural purposes shall be determined on the basis of the
land's capacity to produce agricultural products. Evidence of

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underscored material = new
[bracketed material] = delete

1 bona fide primary agricultural use of land for the tax year
2 preceding the year for which determination is made of
3 eligibility for the land to be valued under this section
4 creates a presumption that the land is used primarily for
5 agricultural purposes during the tax year in which the
6 determination is made. If the land was valued under this
7 section in one or more of the three tax years preceding the
8 year in which the determination is made, or in one or more of
9 the six tax years preceding if the land is resting as the
10 direct result of a failure of man-made water infrastructure as
11 described in Subparagraph (e) of Paragraph (2) of Subsection B
12 of this section, and the use of the land has not changed since
13 the most recent valuation under this section, a presumption is
14 created that the land continues to be entitled to that
15 valuation.

16 B. [~~For the purpose of~~] As used in this section:

17 (1) "agricultural products" means plants,
18 crops, trees, forest products, orchard crops, livestock,
19 poultry, captive deer or elk, or fish; [~~and~~]

20 (2) "agricultural use" means the:

21 (a) use of land for the production of
22 agricultural products;

23 (b) use of land that meets the
24 requirements for payment or other compensation pursuant to a
25 soil conservation program under an agreement with an agency of

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1 the federal government;

2 (c) resting of land to maintain its
3 capacity to produce agricultural products; ~~[or]~~

4 (d) resting of land as the direct result
5 of at least moderate drought conditions as designated by the
6 United States department of agriculture, if the drought
7 conditions occurred in the county within which the land is
8 located for at least eight consecutive weeks during the
9 previous tax year; provided that the land was used in the tax
10 year immediately preceding the previous tax year primarily for
11 a purpose identified pursuant to this paragraph; or

12 (e) resting of land as the direct result
13 of a failure of man-made water infrastructure in a special
14 water district that results in a delivery of seventy percent or
15 less water than what was delivered to all of the district's
16 water users in the previous calendar year, as certified by the
17 special water district to the appropriate county assessor
18 pursuant to Section 2 of this 2026 act; provided that the land
19 was used primarily for a purpose identified in Subparagraphs
20 (a) through (d) of this paragraph in the tax year immediately
21 preceding the previous tax year; and

22 (3) "special water district" means a
23 conservancy district organized pursuant to Chapter 73, Articles
24 14 through 19 NMSA 1978, an acequia or community ditch
25 association organized pursuant to Chapter 73, Article 2 or 3

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1 NMSA 1978, an irrigation district organized pursuant to Chapter
2 73, Articles 9 through 13 NMSA 1978, an artesian conservancy
3 district organized pursuant to Chapter 73, Article 1 NMSA 1978
4 or any other entity with statutory authority to deliver water
5 to customers in New Mexico.

6 C. The department shall adopt rules for determining
7 whether land is used primarily for agricultural purposes. The
8 rules shall provide that the use of land for the lawful taking
9 of game shall not be considered in determining whether land is
10 used primarily for agricultural purposes.

11 D. The department shall adopt rules for determining
12 the value of land used primarily for agricultural purposes.

13 The rules shall:

14 (1) specify procedures to use in determining
15 the capacity of land to produce agricultural products and the
16 derivation of value of the land based upon its production
17 capacity;

18 (2) establish carrying capacity as the
19 measurement of the production capacity of land used for grazing
20 purposes, develop a system of determining carrying capacity
21 through the use of an animal unit concept and establish
22 carrying capacities for the land in the state classified as
23 grazing land;

24 (3) provide that land the bona fide and
25 primary use of which is the production of captive deer or elk

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1 shall be valued as grazing land and that captive deer shall be
2 valued and taxed as sheep and captive elk shall be valued and
3 taxed as cattle;

4 (4) provide for the consideration of
5 determinations of any other governmental agency concerning the
6 capacity of the same or similar lands to produce agricultural
7 products;

8 (5) assure that land determined under the
9 rules to have the same or similar production capacity shall be
10 valued uniformly throughout the state; and

11 (6) provide for the periodic review by the
12 department of determined production capacities and
13 capitalization rates used for determining annually the value of
14 land used primarily for agricultural purposes.

15 E. All improvements, other than those specified in
16 Section 7-36-15 NMSA 1978, on land used primarily for
17 agricultural purposes shall be valued separately for property
18 taxation purposes, and the value of these improvements shall be
19 added to the value of the land determined under this section.

20 F. The owner of the land shall make application to
21 the county assessor in a tax year in which the valuation method
22 of this section is first claimed to be applicable to the land
23 or in a tax year immediately subsequent to a tax year in which
24 the land was not valued under this section. Application shall
25 be made under oath, shall be in a form and contain the

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1 information required by department rules and shall be made no
2 later than thirty days after the date of mailing by the
3 assessor of the notice of valuation. Once land is valued under
4 this section, application need not be made in subsequent tax
5 years as long as there is no change in the use of the land.

6 G. The owner of land valued under this section
7 shall report to the county assessor whenever the use of the
8 land changes so that it is no longer being used primarily for
9 agricultural purposes. This report shall be made on a form
10 prescribed by department rules and shall be made by the last
11 day of February of the tax year immediately following the year
12 in which the change in the use of the land occurs.

13 H. Any person who is required to make a report
14 under the provisions of Subsection G of this section and who
15 fails to do so is personally liable for a civil penalty in an
16 amount equal to the greater of twenty-five dollars (\$25.00)
17 or twenty-five percent of the difference between the property
18 taxes ultimately determined to be due and the property taxes
19 originally paid for the tax years for which the person failed
20 to make the required report."

21 SECTION 2. [NEW MATERIAL] WATER SCARCITY DUE TO A
22 FAILURE OF MAN-MADE WATER INFRASTRUCTURE IN CERTAIN SPECIAL
23 WATER DISTRICTS.--

24 A. A special water district that experiences a
25 failure of man-made water infrastructure that directly

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1 results in a delivery of seventy percent or less water than
 2 what was delivered to all of the district's water users in
 3 the previous calendar year shall immediately certify that
 4 information to the appropriate county assessor in the same
 5 property tax year that the failure occurred. Certification
 6 pursuant to this subsection shall be submitted once each tax
 7 year in which the failure continues and shall include the
 8 taxpayer's name and properties impacted by the failure.

9 B. As used in this section, "special water
 10 district" means a conservancy district organized pursuant to
 11 Chapter 73, Articles 14 through 19 NMSA 1978, an acequia or
 12 community ditch association organized pursuant to Chapter 73,
 13 Article 2 or 3 NMSA 1978, an irrigation district organized
 14 pursuant to Chapter 73, Articles 9 through 13 NMSA 1978, an
 15 artesian conservancy district organized pursuant to Chapter
 16 73, Article 1 NMSA 1978 or any other entity with statutory
 17 authority to deliver water to customers in New Mexico.

18 SECTION 3. APPLICABILITY.--The provisions of this act
 19 apply to property tax years beginning on or after January 1,
 20 2027.