

HOUSE BILL 37

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

INTRODUCED BY

Kathleen Cates

AN ACT

RELATING TO PROPERTY TAX; PROVIDING THAT THE RESTING OF LAND  
DUE TO A SPECIAL WATER DISTRICT'S MAN-MADE INFRASTRUCTURE  
FAILURE 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

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 and the use of the land  
9 has not changed since the most recent valuation under this  
10 section, a presumption is created that the land continues to be  
11 entitled to that valuation.

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

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

16 (2) "agricultural use" means the:

17 (a) use of land for the production of  
18 agricultural products;

19 (b) use of land that meets the  
20 requirements for payment or other compensation pursuant to a  
21 soil conservation program under an agreement with an agency of  
22 the federal government;

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

25 (d) resting of land as the direct result

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

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

18 (3) "special water district" means a  
19 conservancy district organized pursuant to Chapter 73, Articles  
20 14 through 19 NMSA 1978, an acequia or community ditch  
21 association organized pursuant to Chapter 73, Article 2 or 3  
22 NMSA 1978, an irrigation district organized pursuant to Chapter  
23 73, Articles 9 through 13 NMSA 1978, an artesian conservancy  
24 district organized pursuant to Chapter 73, Article 1 NMSA 1978  
25 or any other entity with statutory authority to deliver water

1 to customers in New Mexico.

2 C. The department shall adopt rules for determining  
3 whether land is used primarily for agricultural purposes. The  
4 rules shall provide that the use of land for the lawful taking  
5 of game shall not be considered in determining whether land is  
6 used primarily for agricultural purposes.

7 D. The department shall adopt rules for determining  
8 the value of land used primarily for agricultural purposes.  
9 The rules shall:

10 (1) specify procedures to use in determining  
11 the capacity of land to produce agricultural products and the  
12 derivation of value of the land based upon its production  
13 capacity;

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

20 (3) provide that land the bona fide and  
21 primary use of which is the production of captive deer or elk  
22 shall be valued as grazing land and that captive deer shall be  
23 valued and taxed as sheep and captive elk shall be valued and  
24 taxed as cattle;

25 (4) provide for the consideration of

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1 determinations of any other governmental agency concerning the  
2 capacity of the same or similar lands to produce agricultural  
3 products;

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

7 (6) provide for the periodic review by the  
8 department of determined production capacities and  
9 capitalization rates used for determining annually the value of  
10 land used primarily for agricultural purposes.

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

16 F. The owner of the land shall make application to  
17 the county assessor in a tax year in which the valuation method  
18 of this section is first claimed to be applicable to the land  
19 or in a tax year immediately subsequent to a tax year in which  
20 the land was not valued under this section. Application shall  
21 be made under oath, shall be in a form and contain the  
22 information required by department rules and shall be made no  
23 later than thirty days after the date of mailing by the  
24 assessor of the notice of valuation. Once land is valued under  
25 this section, application need not be made in subsequent tax

1 years as long as there is no change in the use of the land.

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

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

17 SECTION 2. [NEW MATERIAL] WATER SCARCITY DUE TO A MAN-  
18 MADE INFRASTRUCTURE FAILURE IN CERTAIN SPECIAL WATER  
19 DISTRICTS.--

20 A. A special water district that experiences a  
21 man-made infrastructure failure that directly results in a  
22 delivery of seventy percent or less water than what was  
23 delivered to all of the district's water users in the  
24 previous calendar year shall immediately certify that  
25 information to the appropriate county assessor in the same

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1 property tax year that the failure occurred. Certification  
2 pursuant to this subsection shall be submitted once each tax  
3 year in which the failure continues.

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

13 SECTION 3. APPLICABILITY.--The provisions of this act  
14 apply to property tax years beginning on or after January 1,  
15 2026.