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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 58/aSFC

SHORT TITLE: Extend Property Tax Exemption Period

SPONSOR: Sens. Berghmans and Tobiassen/Rep. Parajon

LAST ORIGINAL
UPDATE: 2/4/2026 **DATE:** 1/26/2026 **ANALYST:** Faubion

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Property Tax	See Fiscal Impacts					Recurring	Local Governments
Property Tax	See Fiscal Impacts					Recurring	State GO Bonding Fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Taxation and Revenue Department
 Department of Finance and Administration

Agency or Agencies That Were Asked for Analysis but did not Respond

NM Municipal League
 NM Counties

SUMMARY

Synopsis of the SFC Amendment to Senate Bill 58

The Senate Finance Committee amendment to Senate Bill 58 (SB58) clarifies that the extended property tax exemption period for a metropolitan redevelopment project property is capped at, but not automatically equal to, fourteen years. Specifically, the amendment replaces language tying the exemption to the year in which the fourteenth anniversary of acquisition occurs with language providing that the exemption extends through a year that shall not exceed fourteen years from the acquisition date. This change applies both to the property tax exemption for lessees' interests and to the corresponding payments in lieu of property taxes (PILOTs), and has the effect of establishing an upper limit on the exemption period rather than a fixed, mandatory duration.

Synopsis of Original Senate Bill 58

Senate Bill 58 (SB 58) amends the Metropolitan Redevelopment Code and the Property Tax Code to extend the period during which project property in a metropolitan redevelopment area is exempt from property taxation. For project property acquired by a municipality on or after January 1, 1986, the bill extends the exemption period from seven to fourteen years following acquisition. The bill also makes corresponding changes to extend the period during which lessees or owners of substantial beneficial interests in exempt project property are required to make payments in lieu of property taxes. In addition, the bill extends the maximum exemption period for certain pre-1986 projects from ten to fourteen years. The provisions of the bill apply to leases of project property executed on or after the effective date of the act. This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The fiscal impact of this bill cannot be reliably estimated. The state does not maintain a centralized inventory of metropolitan redevelopment areas (MRAs), active redevelopment projects, or the number and assessed value of properties currently receiving property tax exemptions and payments in lieu of property taxes (PILOTs) under the Metropolitan Redevelopment Code. In addition, information is not available on the pre-acquisition assessed values used to calculate PILOTs or on the post-redevelopment market values that would otherwise enter the tax base upon expiration of the exemption. Because the bill applies prospectively to leases executed after the effective date, the magnitude of the impact will also depend on the number, size, and timing of future redevelopment projects, which cannot be predicted.

By extending the property tax exemption period for qualifying redevelopment projects from seven to fourteen years, the bill delays the point at which affected properties enter the full local property tax base. During the extended exemption period, local governments would continue to receive PILOT payments based on the property's pre-redevelopment assessed value rather than taxes based on post-redevelopment value. As a result, local taxing jurisdictions may experience foregone growth in property tax revenues during years eight through fourteen relative to current law. The magnitude of this impact will vary by jurisdiction and will depend on local redevelopment activity, project scale, and valuation growth. PILOT payments partially offset this effect but are generally lower than full property tax liability once redevelopment is complete.

The state's general obligation (GO) bonding fund is supported in part by a statewide 1.36-mill property tax levy. To the extent the bill extends the exemption period for redevelopment properties, growth in the statewide taxable property base attributable to those properties would be delayed. During the extended exemption period, the state GO bond levy would continue to be applied to PILOT valuations based on pre-redevelopment assessed values rather than post-redevelopment values. Consequently, the bill may result in delayed or foregone GO bond fund revenues compared with current law. The size of this impact is uncertain and depends on future use of the extended exemption.

This bill will likely reduce property valuations for a small number of parcels across the state. Even when such reduction in value occurs, yield control measures will increase the mill rate

applied to all properties resulting in no local operating revenue loss. The yield control statute (Section 7-37-7.1 NMSA 1978) adjusts operating tax rates to offset revenue losses or gains from outsized changes to the aggregate property taxable values within each tax district. For example, when taxable property values grow too much within a district, yield control will reduce the tax rate to maintain “reasonable” revenue growth. If aggregate property values decline, as would be the case with this bill, the tax rate can be increased for the entire tax district to maintain revenue. The magnitude of the offsetting in this case is difficult to calculate without access to very specific tax information for affected properties. Any non-yield-controlled mills, such as those imposed by special districts or for local bonding, could see a loss of revenue. State general obligation bonds are not yield-controlled, so any reduction in property value would impact revenue to the state GO bonding fund.

SIGNIFICANT ISSUES

The Metropolitan Redevelopment Act (MRA) authorizes municipalities and counties to designate metropolitan redevelopment areas to address blight, underutilization, or conditions that impair economic development. Designation of an MRA requires local governing body approval and adoption of a metropolitan redevelopment plan, which identifies project objectives, eligible uses, and anticipated public benefits. The decision to establish an MRA and approve redevelopment projects is discretionary and rests entirely with local governments.

Within an approved MRA, a local government may acquire property and lease project property to private users to implement redevelopment projects. Projects are governed by redevelopment plans, financing agreements, and leases approved by the local governing body. Project property acquired and held by a local government under the MRA may qualify for a temporary property tax exemption. Because the property is publicly owned, any private lessee’s or beneficial owner’s interest is exempt from property taxation for a defined period. To partially offset this exemption, lessees or owners of substantial beneficial interests are generally required to make payments in lieu of property taxes (PILOTs). PILOT payments are calculated based on the assessed value of the property in the year immediately preceding public acquisition and are distributed to taxing jurisdictions in the same manner as property taxes. By tying PILOT payments to a pre-redevelopment assessed value, the structure effectively freezes the taxable value of the property during the exemption period. When metropolitan redevelopment project property is publicly owned and leased to a private entity, the property tax exemption and corresponding payment in lieu of taxes apply by statute and are not subject to local discretion through the MRA plan or the lease.

The exemption and PILOT structure is intended to reduce early-stage costs and provide predictability during project development, construction, and initial operation. For developers, the structure lowers near-term operating costs and financing risk during the period when revenues may be uncertain. For local governments, MRAs are intended to encourage redevelopment of areas that may not attract private investment, absent public participation, while preserving some revenue through PILOT payments.

This bill raises policy questions regarding the extent of state authorization to limit local property tax revenue for an extended period. Under current law, the statutory exemption period is fixed and non-discretionary once a qualifying redevelopment lease is executed. As amended, the bill would increase the maximum allowable exemption period from seven to fourteen years, establishing a longer statutory cap rather than a fixed mandatory duration. While the amendment

introduces flexibility by allowing an exemption period of up to fourteen years, local governments would still be required to operate within a state-defined framework that limits full taxation of redevelopment property for some period. It remains unclear whether extending the exemption beyond seven years would materially influence development decisions, as property tax abatements primarily affect early-stage project feasibility and financing, and incremental benefits may diminish once projects are stabilized. To the extent the longer allowable exemption does not induce redevelopment that would not otherwise occur, the bill may primarily delay the entry of redeveloped property into the full tax base rather than generate additional development activity.

The bill may have implications for how municipalities time property acquisition and redevelopment under the Metropolitan Redevelopment Code. Because the property tax exemption period begins at the time a local government acquires project property—rather than when a redevelopment lease is executed—lengthening the statutory exemption period from seven to fourteen years could reduce fiscal pressure to move acquired property into active development. A longer exemption window may allow municipalities to hold developable land for extended periods while preserving a substantial remaining exemption period for future projects, potentially encouraging land banking behavior. Under current law, prolonged municipal ownership prior to redevelopment reduces the remaining exemption period available to a project, creating an implicit incentive to advance development more quickly once property is acquired. Extending the exemption period may weaken this timing discipline and further delay when redeveloped property enters the full tax base, particularly in markets where development conditions are uncertain. The extent of this effect is uncertain and would depend on local redevelopment strategies, market conditions, and the timing of property acquisition relative to project development.

At the same time, the longer exemption period may enable municipalities to pursue redevelopment of land that has been publicly owned for extended periods but has not previously been suitable for development due to market conditions, infrastructure constraints, or other barriers. By preserving a longer remaining exemption window for future projects, the bill could allow municipalities to initiate redevelopment when conditions become favorable without forfeiting the tax benefits intended to support project feasibility. In such cases, the extension may expand the range of sites that could realistically be redeveloped under the MRA framework, though any resulting fiscal tradeoffs would depend on the timing and scale of future projects.

OTHER SUBSTANTIVE ISSUES

There is no centralized statewide inventory of MRAs in New Mexico, as MRAs are designated, approved, and administered independently by municipalities and counties under the Metropolitan Redevelopment Code. As a result, the total number of MRAs statewide is unknown and varies over time as local governments adopt, amend, or retire redevelopment plans. Some larger jurisdictions maintain multiple MRAs; for example, the City of Albuquerque has designated 19 redevelopment areas under its Metropolitan Redevelopment Agency, while other communities have established MRAs for specific sites or corridors. One such example is a 616.4-acre metropolitan redevelopment area encompassing most of downtown Farmington.