

LFC Requester:	Julisa Rodriguez
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(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: 3/8/25 *Check all that apply:*
Bill Number: HM52 Original Correction
 Amendment Substitute

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0	\$0		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$0		

(Parenthesis () indicate revenue decreases)

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:

SECTION III: NARRATIVE

BILL SUMMARY

House Memorial 52 (HM52) proposes the creation of a work group to evaluate short-term rental taxation policies, the impact on nonresidential property tax classifications, zoning and permitting regulations and potential pathways for a “fair and balanced” regulatory framework for short-term rental operators and local communities. The working group is to be composed of the economic development department, the tourism department, the taxation and revenue department, the New Mexico short-term rental association, and the New Mexico association of realtors and the assessor’s affiliate of the New Mexico association of counties. HM52 tasks this work group with providing a report of its findings and policy recommendations to interim legislative committees by December 1, 2025. HM52 further requests that county assessors pause in revaluations until the work group has presented its report.

FISCAL IMPLICATIONS

SIGNIFICANT ISSUES

Short-term rentals have grown significantly in popularity due to the prevalence of online platforms which allow for people to rent private properties through booking platforms with widespread marketing reach. A 2019 Report by the housing nonprofit Homewise found a 380% increase in whole-unit short-term rentals in Santa Fe between 2014 to 2018.

Recently, some county assessors have begun reclassifying some properties used as short-term rentals as nonresidential properties. This can have a dramatic impact on the property tax rates charged for a property because residential property because annual valuations increases are capped at 3% of value. Reclassification to nonresidential status would bring a property to current and correct value, which can have a significant impact on property tax liability, with greater impact on those who have owned their properties for longer periods of time. Non-residential classification also means that properties can now be subject to a 30% annual increase in valuation.

The legal basis for this revaluation comes from NMSA 7-35-2 definition of “Residential Housing”, which states that “the term does not include structures when used primarily for temporary or transient human habitation such as hotels, motels and similar structures”. The assessors argue that housing being used for short-term rental, while appearing to be residential housing and often located in residential areas of cities, are being used for transient human habitation.

While short-term rentals do provide financial benefits to owners and local economies, they also have mixed impacts. Short-term rentals of entire homes or apartments are typically more lucrative for property owners than long-term rental rates. The significantly higher revenue that can be realized through short-term rental can place speculative pressure on home sales price, with the income derived from short-term rental supporting higher debt capacity, and therefore higher purchase prices than people might be willing to pay for long-term housing. The transition from long-term occupancy to short-term occupancy reduces housing availability, which can have significant impact on housing affordability.

In high desirability such as tourist destinations and urban centers, the concentration of short-term rentals can have a significant impact on the neighborhood character, and the transient nature of short-term occupants can be disruptive to surrounding communities.

HM52 raises two issues that are pertinent to the state. The first is significant variability in interpretation of how to tax properties from county-to-county of property, an issue that extends beyond short-term rentals, but also impact multi-family variation as well. Tax rates play a critical

role in housing affordability and the feasibility of building new housing, and increased variation in treatment of properties is generally seen as counterproductive for efficient delivery of new housing. The other issue is the state laws which cap all residential properties to 3% increase a year, regardless of whether those homes are used as a primary occupancy for an owner, or even long-term housing. This has the effect of subsidizing the property tax rates for second homes and short-term rentals, which are both widely recognized to have negative impacts on housing affordability.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS

The subject matter of the work group relates closely to issues of housing availability, affordability and explicitly cites issues of local zoning and housing regulations, all areas of focus for the Office of Housing. For this reason we would ask that HM52 be amended to include the Office of Housing in the work group process. This issue also has a significant impact on local governments, so we would encourage the inclusion of the New Mexico Municipal League representative in the work group.