BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

March 14, 2025

Bill: SB-192 **Sponsor:** Senators Micaelita Debbie O'Malley and Harold Pope

Short Title: Veteran Property Tax Exemptions

Description: This bill makes numerous changes to the Property Tax Code, including:

- limiting increases on valuation of property based on reproduction of physical improvements destroyed by a state disaster or emergency;
- updating two veteran exemptions to reflect constitutional amendments passed by voters in the last election;
- allowing county assessors to impose a $1,000 fine for failure to disclose by affidavit;
- allowing property tax exemptions for a disabled veteran or disabled veteran's surviving spouse to be transferred in the same tax year.
- increasing from $80 to $400 the daily payment to members of county valuation protests boards and adjusting that amount for inflation in the future
- Other amendments related to affidavits to be filed with county assessors, penalties and limitations on the valuation of certain property.

Effective Date: Emergency clause; takes effect immediately after the governor's signature.

Taxation and Revenue Department Analyst: Mark Chaiken / Lucinda Sydow / Sara Grubbs

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(Unknown but likely minimal negative, see narrative)				R	Section 1: Counties, municipalities, property taxing districts, State General Obligation Bond Fund
--	(130)	(1,000)	(1,060)	(1,120)	R	Sections 2 and 3: Counties (see narrative)
--	(3)	(26)	(27)	(28)	R	Sections 2 and 3: State General Obligation Bond Fund
--	See narrative					Sections 2 and 3: All other property taxing entities
--	Minimal, slightly positive				R	Section 4: Counties
--	--	--	--	--	NA	Section 5: Counties
--	--	--	--	--		Section 6: NA
--	--	--	--	--		Section 7: NA
--	Unknown, positive				R	Section 9: Counties (see narrative)

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

Methodology for Estimated Revenue Impact: [Section 1]: The bill intends to provide some property tax relief for homeowners impacted by disasters. The nature of those disasters can vary and affect different areas of the State and distinct clusters of properties. For instance, a disaster can happen in a rural area or in a municipality. For the Taxation and Revenue Department (Tax & Rev), predicting the nature of those disasters, their location, and the magnitude of their effects is challenging to calculate a fiscal impact. But because the bill applies only to construction that reproduces an original property, it should minimally impact taxable property values and have a very low fiscal impact.

[Section 2]: There are approximately 67,000 veterans claiming the current $4,000 property exemption per tax year 2023 county reports. Tax & Rev assumes that number remains flat for the estimate. Tax & Rev assumes the impact of the additional $6,000 in exempt taxable value for the 67,000 veterans by their respective county and applied the 2023 weighted mill rate by county according to the 2023 New Mexico Property Tax Facts published by New Mexico Department of Finance and Administration[1]. The estimated aggregate direct impact in loss of property tax revenue is $12.6 million in the first year. Tax & Rev then accounted for adjustments in property tax rates that are likely to happen in response to this amendment per the yield control statute. The weighted average of the remaining residential authority to adjust the mill rates in each county was applied to the remaining tax base in each county for the loss of net taxable value from the veteran's $10,000 expansion in Tax Year 2025. It was found that two counties, Catron and Torrance, do not have sufficient tax base nor remaining mills that may be imposed to fully offset the reduced tax base and resulting revenue reduction from the first year of the $10,000 veteran exemption through yield control. The fiscal impact in FY27 through FY29 is discussed below in conjunction with the expansion of the veteran's disability exemption.

[Section 3]: According to data released by New Mexico Department of Workforce Solutions, 32% of New Mexico veterans reported having a disability[2]. Tax & Rev applied the 32% to the 67,000 veterans claiming the current $4,000 property tax exemption arriving at approximately 21,500 disabled veterans. Of those disabled veterans, approximately 13,200 already claim the current 100% disabled veteran property tax exemption. Taking the difference of the 21,500 disabled veterans and 13,200 100% disabled veterans leaves approximately 8,300 veterans with a disability less than 100%. Tax & Rev then assumes that the average percentage of disability among veterans under 100% disability, is 52% based on the weighted distribution of all veterans with a disability from data provided from DVS.

The estimate for taxable property values in New Mexico is based on the median listing price of homes in New Mexico, according to the housing trends published by the Federal Reserve[3]. The value is then grown at the average rate of increase in the median listing price of homes in New Mexico between 2017 and 2024 to exclude methodology changes in the calculation of median price of property in 2022 that cause an abnormal growth rate for that year. To estimate the loss in revenue from implementing the Constitutional amendment, the average mill rate in the state according to the 2023 New Mexico Property Tax Facts published by New Mexico Department of Finance and Administration was used[4]. The estimated direct aggregate impact in loss of property tax revenue is $22.0 million in the first year before yield control adjustments are made (see below).

[Sections 2 and 3]: Local impacts of the legislation proposed in this bill will vary widely across the state depending on the local trends in property values, the per capita population of veterans in the county, as well as the remaining local authority to adjust property tax rates.

To estimate the final fiscal impact of this legislation in FY2027 when both exemptions from Sections 1 and 2 are in effect, Tax & Rev accounted for adjustments in property tax rates that are likely to happen per the yield control statute. The weighted average of the remaining residential authority to adjust the mill

[1] https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/property-taxes/property-tax-facts/
[2] https://www.dws.state.nm.us/Portals/0/DM/LMI/2023_Veterans_Profile_.pdf
[3] https://fred.stlouisfed.org/series/MEDLISPRINM#0
[4] https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/property-taxes/property-tax-facts/

rates in each county was applied to the remaining tax base in each county after the cumulative loss of net taxable value from both expansions of the two veterans' exemptions. Seven counties - Catron, De Baca, Harding, Quay, Sierra, Socorro and Torrance - do not have sufficient tax base nor remaining mills that may be imposed to offset the loss of tax base and revenue from these expanding veterans' exemptions through yield control. In addition, seven counties - Cibola, Guadalupe, Hidalgo, Luna, Mora, Roosevelt, and Union - appear to have just sufficient tax base to cover it. However, this effect will vary depending on how willing and able the local administrations are in utilizing their remaining operating rate millage authority or if the growth in the remaining tax base is sufficient. The estimated net impact of $1 million above for these 14 counties is only the impact at the county level. Additional impacts in special districts, including municipalities and school districts are not included in this impact. The loss above is only to counties, with approximately 2.5% of the loss to the state General Obligation Bond (GOB) fund, which is used to make debt service payments on State GOBs.

Tax & Rev assumes an inflation adjustment for the veteran exemption starting with tax year 2027 impacting FY2029 (See Technical and Other Issues). Tax & Rev applied the Congressional Budget Office's current forecast for the annual rate of change for the Consumer Price Index for all Urban Consumers (CPI-U). While the aggregate impact grows by approximately $400 thousand, it is largely offset by yield-control in the larger counties. The increase for the aforementioned counties is applied from the calculated inflation factor.

[Section 4]: Section 4 of the bill adds an administrative penalty to be paid to the county assessor in addition to the other penalties and fines for persons who intentionally fail to make required reports regarding their property. The penalties are not to exceed $1,000, but no minimum penalty is established by the bill. Because the amount of penalty may vary between counties, and because Tax & Rev cannot estimate the number of persons who will intentionally refuse to make their required reports, Tax & Rev cannot estimate the fiscal impact. Nevertheless, to the extent there is any impact, it will be positive, as the penalty is newly imposed.

[Section 5]: Section 5 of the bill amends Section 7-38-17 NMSA 1978 to require exemptions to be applied for no later than 30 days after the county assessor mails the notices of valuation; under current law, disabled veterans and or their unmarried surviving spouses are allowed to apply the? exemption to the current tax year, no matter when they apply for it. Eliminating that exception will have minimal fiscal impact but will allow the counties to engage in better financial planning, as they will know the extent of claimed exemptions at the time they create their budgets.

[Section 9]: Changes the amounts that are put into the county property valuation fund by including all proceeds from the disposition or sale of any asset purchased in whole or part with money from the fund. Tax & Rev cannot predict whether any assets will fall into this category, and will be sold, in any fiscal year. To the extent there is any fiscal impact, the amount in any county's property valuation fund will increase if such assets are sold during the course of any fiscal year.

Policy Issues: [Sections 2 and 3] The expansion of property tax exemptions for veterans and veterans with disabilities was approved by New Mexico voters in November 2024. While the expansion of these exemptions will continue to erode horizontal equity in property taxes, there is the broader public good of maintaining home ownership and quality of life for veterans and veterans with a range of disabilities. These veterans sacrificed their health and wellbeing through service to the United States, and as a result of disability may have diminished earnings and ability to maintain home ownership.

The bill will represent a significant erosion of the local property tax base, on which most local governments rely for their budgets and operations.

Technical Issues: [Section 1]: Page 3, lines 4-6 applies the property increase limitation to a “reproduction of physical improvements destroyed by a declared state disaster or emergency.” Page 6, lines 14-19 defines “reproduction” as a new construction structure that is close or an exact copy” of the structure that was destroyed and “tends to replicate” it. It is not clear when a new construction is “close” to a previous structure, or whether the new structure “tends to” replicate the old, or who makes that determination. The Administrative Code already defines how reproductions are valued at 3.6.5.22(B) NMAC. (“Generally, the cost methods of valuation are methods for valuing improvements or personal property by determining the costs of reproduction or replacement of property with property which is as good as, but no better than, the improvements or personal property being valued. The reproduction or replacement may be duplicate or equally good substitute property. If the improvements or personal property being valued are not in a new condition, the appropriately depreciated value of a new reproduction or replacement, as circumstances justify, is used to determine the value of the used items. In the case of newly constructed improvements, original cost, in an arm's length transaction, is the closest approximation of value.”) Tax & Rev suggests that the definition of “reproduction” in the bill may be unnecessary. Alternatively, the method described in the existing regulation should be used.

[Section 4]: The section uses both “may” and “shall” to describe imposition of the new penalty. Tax & Rev suggests substituting the word “shall” for the word “may” on page 13, line 22. Tax & Rev notes that the bill does not introduce a procedure to challenge the assessment of the $1,000 penalty by a county assessor. Tax & Rev suggests language be added for procedural challenges of this new penalty under statutes 7-38-24, 7-38-39 and 7-38-40 NMSA 1978. Regarding the sentence beginning on page 13 line 24, “Each county assessor shall publish electronically the amount that shall be assessed according to the valuation of the property”, Tax & Rev suggests this sentence be clarified as to what in meant within the context of this new subsection.

Other Issues: None.

Administrative & Compliance Impact: [Section 8] Tax & Rev’s Property Tax Division (PTD) would need to budget for the cost of paying for the county valuation protests board members $400 per day. At the rate of $400 a day, depending on the volume of protests, this would incur an estimated additional cost of around $100,000 per year.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year Total Cost		
--	$130	$133	$263	R	PTD-Reimbursement cost

* In thousands of dollars. Parentheses ( ) indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).
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Related Bills: Sections 2 and 3 conflict with HB47.