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F I S C A L   I M P A C T   R E P O R T

LAST UPDATED

SPONSOR Wirth/Muñoz **ORIGINAL DATE** 2/14/2025

SHORT TITLE Multifamily Housing Valuation **BILL NUMBER** Senate Bill 186

ANALYST Faubion

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Property Tax	**$0.0**	**($49,700.0)**	**($51,700.0)**	**($53,800.0)**	**($56,000.0)**	Recurring	Local Governments

Parentheses ( ) indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	**Indeterminate but minimal**	**Indeterminate but minimal**	**Indeterminate but minimal**	**Indeterminate but minimal**	Recurring	**General Fund**
County Assessors	**Indeterminate but minimal**	**Indeterminate but minimal**	**Indeterminate but minimal**	**Indeterminate but minimal**	Recurring	**Local Budgets**

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
New Mexico Attorney General (NMAG)

Agency Analysis was Solicited but Not Received From
Taxation and Revenue Department (TRD)
Department of Finance and Administration (DFA)
NM Municipal League
NM Association of Counties

SUMMARY

Synopsis of Senate Bill 186

Senate Bill 186 establishes a special method for valuing certain residential multifamily housing for property tax purposes. Multifamily housing, defined as residential properties with five or more units that are leased for at least 30 days, will be assessed based on its current and correct

value under the property tax code, with the following key differences from other residential properties:

1. **Per-Unit Valuation Cap**: The bill proposes that the per-unit value of a multifamily housing complex cannot exceed 40 percent of the total property value divided by the number of units, essentially capping valuation at 40 percent of the total property value.
2. **Exclusion of Amenities and Ancillary Improvements**: The proposed legislation specifies that no value shall be attributed to amenities or ancillary improvements other than the multifamily housing units themselves. This contrasts with the current code, where such features may contribute to the overall property valuation.
3. **Valuation of Newly Constructed Multifamily Housing**: For multifamily housing constructed in the year immediately prior to a tax year, the bill allows for the property to be valued at the lower of its current market value or the actual costs of construction and land acquisition.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted. The provisions in the bill apply to the 2026 and subsequent property tax years.

FISCAL IMPLICATIONS

This bill provides significant changes to the valuation of multifamily residential housing complexes, reducing the net taxable value of these properties and reducing revenue to local governments. This bill gives preferential valuation to these properties over other kinds of residential properties, shifting the tax burden to smaller apartment complexes and single family homeowners and renters especially after yield control. This would reduce the amount of property taxes collected by local governments, potentially impacting funding for public services such as schools, infrastructure, and emergency services.

The yield control statute (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. 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 if this bill were to be adopted, the tax rate can be increased for the entire tax district to maintain revenue. County, municipal, and school operating mill levies are subject to yield control, and those entities can offset losses to net taxable value by increasing the mill rate, if there is sufficient "space" between their imposed rate, the rate approved by their local governing bodies, and the current yield-controlled rate, the actual rate levied as calculated by the Department of Finance and Administration (DFA). The magnitude of this offsetting in this case is difficult to calculate without access to very specific tax information for these types of properties.

Most yield-controlled levies across the state have ample room to increase rates because yield control has suppressed their actual rate levied over time. However, some entities do not have any space to increase mills because their imposed and actual mill levies are the same and at or close to the constitutional limit. They may not have enough room to cover the estimated impact on their revenues. For example, Catron and Torrance counties have maxed their mill imposition and have no yield-control space to recoup lost revenue. Roughly 15 municipalities may also be at risk of being unable to recoup revenues. This analysis averages municipal mill levies and does not

examine each of the municipality's financial position within each county. There is some debate of whether local governments can increase revenues by imposing additional mills if they have not imposed all the constitutionally allowed mills.

Debt mills, including the state general obligation bond debt mills, can be adjusted to fulfill debt obligations as approved by voters; voters do not approve mills, only debt issuance, so local governments and the state can increase the mills to fulfill those obligations without other approvals. This analysis assumes no net revenue loss for debt mills. However, some districts may not choose to raise their debt mills and will experience a revenue loss on those mills. Bond capacity could also decrease as a result of this bill, and the state, many schools, and municipalities issue debt periodically rather than every two years, which could create challenges in servicing debt with reduced revenues.

Some special mills, such as those for conservation districts, some hospitals, higher education institutions, etc., are not subject to yield control and may not have the ability to be adjusted if net taxable value decreases. This is the majority of the revenue loss forecasted.

LFC used 2024 property tax certificates from DFA to analyze residential taxable values, mill rates, tax obligations, and yield-control effects for counties, municipalities, school districts, and special districts. The analysis also relied on county abstracts of property valuations and federal and census data on the number and value of multifamily housing units in each county. LFC assumed mill rates would be adjusted for all debt mills and adjusted operating mills as yield-control space allowed. First, the total net taxable value loss is estimated for the change in valuation. Then, the analysis applied that taxable value loss to each type of mill in the district, aggregated at the county level, to find the pre-yield control revenue loss across types. Then, mill levy adjustments and yield control are applied to find total net loss, post yield control and post debt mill adjustment.

According to US census bureau data, 11.75 percent of all housing units in New Mexico is in a multiunit complex with five or more units. This rate varies by county with Catron, De Baca, and Harding counties without any multiunit complexes of this size and Bernalillo County with 19.2 percent of housing units in a qualifying complex. Using property tax valuation data from DFA and TRD, average home and apartment values, and estimated valuation impacts from the provisions in the bill, LFC estimates the total estimated taxable value loss at over $2.8 billion statewide. Reducing the valuation of these properties results in a pre-yield-control estimated loss of $102.7 million across all beneficiaries, mostly to local governments. However, after yield control, most county and municipal operating revenue, school revenue, and revenue for debt obligations lost due to the exemption increase can be made up by increasing the mill rate for those levies on all properties, essentially passing it to other homeowners and renters, reducing the total revenue loss to approximately $46 million across entities, mostly from lost revenue for special mill levies that cannot be adjusted by yield control. This means nearly $57 million in property tax increases are paid by other homeowners. Over $33 million of the net impact is borne by Bernalillo County. This current-year estimate is grown each year by housing inflation estimates for out-year cost estimates.

SIGNIFICANT ISSUES

Owners of multifamily housing would see reduced tax bills due to the capped valuation and exclusion of amenities from assessments. This could be particularly beneficial for developers and

landlords. If property owners pass on savings to tenants, rents could stabilize or decrease. However, this is unlikely as rents are considered "sticky," meaning they do not easily decrease even when external costs, such as property taxes, are reduced. This is because landlords typically set rents based on market demand, competition, and tenant willingness to pay, rather than directly tying them to operational costs. When property taxes decrease, landlords are more likely to retain the savings as increased profit rather than lower rents, especially in high-demand areas where tenants have limited alternatives. Additionally, leases are often structured on annual or multi-year terms, making it unlikely that a reduction in taxes would immediately translate into lower rents. Historical data shows that even when operating costs decline, landlords rarely adjust rents downward unless market pressures—such as rising vacancies or economic downturns—force them to do so. As a result, while the proposed property tax reduction may benefit property owners, it is unlikely to lead to lower rents for tenants.

Given basic assumptions of the value of land, amenities, and units within a complex, a mid-range apartment complex would see tax savings of around 68 percent. Higher-end, luxury apartments in higher land-value areas and with more amenities could see higher savings, while economy complexes could see lower savings. See the example below:

Scenario	Old Taxable Value ($)	New Taxable Value ($)	Tax Savings (%)
Luxury Complex (High Amenities)	$15,000,000	$4,200,00	72%
Standard Complex (Balanced Amenities)	$15,000,000	$5,100,000	66%
Budget Complex (Low Amenities)	$15,000,000	$5,700,000	62%

The proposed tax changes disproportionately benefit luxury apartment complexes because they have higher-value amenities, which are excluded from taxation under this proposal. As shown in the analysis, high-end properties see tax reductions of up to 72 percent, while budget-friendly complexes receive smaller savings. This means that owners of luxury properties gain the most relief, while developers of affordable housing—who build with fewer amenities and lower per-unit values—see less benefit. Because the bill does not tie tax savings to affordability or income-restricted units, it fails to incentivize investment in affordable housing and instead rewards high-end developments with the largest tax breaks.

The proposed bill states that the per-unit value of a multifamily housing complex cannot exceed 40 percent of the total property value divided by the number of units. Essentially, instead of allowing each unit to be assessed based on its full market value, the bill ensures that only 40 percent of the total property's per-unit value is considered when determining taxes. For example, assume a multifamily apartment complex has 100 units. The total property value is $10 million. The per-unit valuation under a traditional assessment would be $100,000 per unit. Under the proposal in this bill, the per-unit valuation is capped at 40 percent of the total per-unit value. This means the maximum taxable value per unit is $40,000. Instead of each unit being assessed at $100,000, they would be assessed at $40,000 for tax purposes. Taxable property value drops from $10 million to $4 million, significantly reducing the overall property tax liability.

Excluding amenities, including the value of land, could also have large impacts on the valuation of these types of properties, a special treatment not afforded to other types of properties. The value of amenities and land varies by property and offerings. Estimates typically quote around 10 to 25 percent of the total value of multiunit properties are attributed to amenities. Approximately

25 percent of the value is typically attributed to the land the complex sits on. Again, other types of residential properties are taxed on the value of their land.

The bill allows newly constructed multifamily housing to be valued at the lower of its market value or actual construction and land costs. Since construction costs may be lower than market value, this provision could further limit tax obligations from new developments in ways not given to other property owners.

Using property tax valuation based on construction costs instead of market value could offer developers a lower tax burden at the outset, which might indirectly support affordable housing by reducing operating expenses and lowering overall project costs. This method provides a predictable tax framework, making it easier for developers to forecast expenses and potentially pass on some savings to renters. However, the benefit is not inherently tied to affordability and developers of both luxury and affordable units can exploit lower assessments; this means that unless coupled with specific affordability mandates, the policy might merely act as a windfall for developers rather than a targeted incentive for creating affordable housing. Additionally, there is a risk that developers could underreport construction costs to minimize taxes, which undermines the intended economic efficiency of the policy.

Overall, this bill is likely to present a windfall to developers and landlords by significantly lowering their property tax bills without requiring any commitment to expand affordable housing or increase overall housing supply. By implementing a 40 percent per-unit cap and excluding amenities from taxable value, the bill slashes the taxable base for multifamily properties, yielding substantial tax savings that benefit both new and existing developments. However, since these reductions are based solely on the property's assessed values rather than on any performance or affordability criteria, landlords and developers can retain the extra profits without necessarily investing in additional units or dedicating any portion of their inventory to affordable housing. In essence, while the tax relief boosts their bottom line, it does little to address the broader challenges of housing affordability or stimulate an increase in the overall supply of rental units.

To encourage affordable housing development, the state could consider several targeted alternatives rather than broad-based tax reductions. One option is implementing inclusionary zoning policies that require a percentage of new development units to be designated as affordable, ensuring mixed-income communities. Direct financial incentives, such as low-interest loans, grants, or tax credits specifically tied to affordable housing projects, can further motivate developers to invest in these units. Additionally, streamlining the permitting process and reducing regulatory fees would lower development costs, making it more economically viable to include affordable housing in new projects.

JF/rl

Attachments:

1) Post-Yield Control Cost by Taxing Entity
2) Pre-Yield Control Cost by Taxing Entity
3) Share of Multiunit Housing by County

Attachment 1.

Post-Yield Control Cost by Taxing Entity									
	County Operating	County Debt	Muni Average Operating	Muni Avg Debt	School Avg Operating	School Avg Debt	Special Average	State GOB	Total Cost
Bernalillo	$ -	$ -	$ -	$ -	$ -	$ -	$ 33,750,798	$ -	$ 33,750,798
Catron	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Chaves	$ -	$ -	$ -	$ -	$ -	$ -	$ 282,205	$ -	$ 282,205
Cibola	$ -	$ -	$ -	$ -	$ -	$ -	$ 45,757	$ -	$ 45,757
Colfax	$ -	$ -	$ -	$ -	$ -	$ -	$ 121,265	$ -	$ 121,265
Curry	$ -	$ -	$ -	$ -	$ -	$ -	$ 79,391	$ -	$ 79,391
De Baca	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dona Ana	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,277,076	$ -	$ 2,277,076
Eddy	$ -	$ -	$ -	$ -	$ -	$ -	$ 466,443	$ -	$ 466,443
Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ 135,857	$ -	$ 135,857
Guadalupe	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,595	$ -	$ 6,595
Harding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hidalgo	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,576	$ -	$ 1,576
Lea	$ -	$ -	$ -	$ -	$ -	$ -	$ 347,327	$ -	$ 347,327
Lincoln	$ -	$ -	$ -	$ -	$ -	$ -	$ 401,427	$ -	$ 401,427
Los Alamo	$ -	$ -	$ -	$ -	$ -	$ -	$ 316,605	$ -	$ 316,605
Luna	$ -	$ -	$ -	$ -	$ -	$ -	$ 33,030	$ -	$ 33,030
McKinley	$ -	$ -	$ -	$ -	$ -	$ -	$ 67,006	$ -	$ 67,006
Mora	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,705	$ -	$ 4,705
Otero	$ -	$ -	$ -	$ -	$ -	$ -	$ 125,704	$ -	$ 125,704
Quay	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,593	$ -	$ 10,593
Rio Arriba	$ -	$ -	$ -	$ -	$ -	$ -	$ 42,984	$ -	$ 42,984
Roosevelt	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,928	$ -	$ 15,928
San Juan	$ -	$ -	$ -	$ -	$ -	$ -	$ 339,200	$ -	$ 339,200
San Migue	$ -	$ -	$ -	$ -	$ -	$ -	$ 70,810	$ -	$ 70,810
Sandoval	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,652,274	$ -	$ 1,652,274
Santa Fe	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,243,597	$ -	$ 4,243,597
Sierra	$ -	$ -	$ -	$ -	$ -	$ -	$ 76,072	$ -	$ 76,072
Socorro	$ -	$ -	$ -	$ -	$ -	$ -	$ 120,476	$ -	$ 120,476
Taos	$ -	$ -	$ -	$ -	$ -	$ -	$ 536,251	$ -	$ 536,251
Torrance	$ 39,385	$ -	$ -	$ -	$ -	$ -	$ 16,345	$ -	$ 55,731
Union	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,894	$ -	$ 6,894
Valencia	$ -	$ -	$ -	$ -	$ -	$ -	$ 354,641	$ -	$ 354,641
	$ 39,385	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 45,948,831**	**$ -**	**$ 45,988,216**

Attachment 2.

Pre-Yield Control Cost by Taxing Entity

	County Operating	County Debt	Muni Average Operating	Muni Avg Debt	School Avg Operating	School Avg Debt	Special Average	State GOB	Total Cost	Cost to Locals	Cost to State
Bernalillo	$ 10,308,931	$ 1,875,160	$ 9,152,402	$ 7,354,717	$ 399,364	$ 6,716,113	$ 33,750,798	$ 2,017,577	$ 68,420,856	$ 66,403,278	$ 2,017,577
Catron	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Chaves	$ 168,029	$ -	$ 208,499	$ -	$ 8,234	$ 186,695	$ 282,205	$ 43,068	$ 828,515	$ 785,447	$ 43,068
Cibola	$ 44,753	$ -	$ 20,381	$ 2,500	$ 1,857	$ 48,568	$ 45,757	$ 6,800	$ 159,876	$ 153,077	$ 6,800
Colfax	$ 169,752	$ -	$ 101,404	$ 74,887	$ 6,428	$ 89,973	$ 121,265	$ 24,238	$ 483,035	$ 458,797	$ 24,238
Curry	$ 198,245	$ -	$ 93,630	$ -	$ 10,036	$ 103,574	$ 79,391	$ 27,804	$ 493,818	$ 466,014	$ 27,804
De Baca	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dona Ana	$ 2,384,599	$ 21,392	$ 1,292,369	$ 589,050	$ 88,490	$ 1,920,463	$ 2,277,076	$ 359,182	$ 7,839,848	$ 7,480,666	$ 359,182
Eddy	$ 195,520	$ -	$ 158,321	$ -	$ 12,915	$ 157,820	$ 466,443	$ 48,710	$ 910,885	$ 862,175	$ 48,710
Grant	$ 129,892	$ 21,915	$ 60,600	$ -	$ 5,606	$ 46,008	$ 135,857	$ 25,561	$ 373,534	$ 347,973	$ 25,561
Guadalupe	$ 6,251	$ -	$ 3,357	$ -	$ 235	$ 2,658	$ 6,595	$ 913	$ 18,410	$ 17,497	$ 913
Harding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hidalgo	$ 8,259	$ -	$ 2,201	$ -	$ 338	$ 5,292	$ 1,576	$ 1,072	$ 15,943	$ 14,872	$ 1,072
Lea	$ 240,091	$ -	$ 138,365	$ -	$ 8,839	$ 197,723	$ 347,327	$ 47,192	$ 927,948	$ 880,756	$ 47,192
Lincoln	$ 141,718	$ -	$ 143,676	$ 52,446	$ 8,495	$ 152,990	$ 401,427	$ 37,791	$ 755,973	$ 718,181	$ 37,791
Los Alamos	$ 346,901	$ -	$ 233,291	$ -	$ 20,470	$ 597,728	$ 316,605	$ 92,798	$ 1,607,793	$ 1,514,995	$ 92,798
Luna	$ 140,834	$ -	$ 57,537	$ 27,486	$ 6,516	$ 75,004	$ 33,030	$ 17,725	$ 318,750	$ 301,026	$ 17,725
McKinley	$ 40,149	$ -	$ 38,409	$ 8,297	$ 1,862	$ 46,288	$ 67,006	$ 7,584	$ 198,139	$ 190,555	$ 7,584
Mora	$ 5,724	$ 1,459	$ 4,477	$ -	$ 218	$ 4,947	$ 4,705	$ 1,007	$ 13,787	$ 12,780	$ 1,007
Otero	$ 139,163	$ -	$ 103,555	$ 37,635	$ 6,329	$ 138,863	$ 125,704	$ 28,499	$ 490,667	$ 462,168	$ 28,499
Quay	$ 18,434	$ -	$ 12,250	$ -	$ 816	$ 12,814	$ 10,593	$ 2,696	$ 52,362	$ 49,666	$ 2,696
Rio Arriba	$ 20,643	$ 6,368	$ 13,956	$ -	$ 901	$ 20,851	$ 42,984	$ 5,326	$ 97,524	$ 92,198	$ 5,326
Roosevelt	$ 52,933	$ -	$ 21,288	$ -	$ 2,181	$ 30,730	$ 15,928	$ 6,998	$ 121,202	$ 114,204	$ 6,998
San Juan	$ 224,743	$ -	$ 91,238	$ -	$ 10,904	$ 194,985	$ 339,200	$ 43,540	$ 778,201	$ 734,661	$ 43,540
San Miguel	$ 69,002	$ -	$ 84,036	$ -	$ 2,551	$ 116,219	$ 70,810	$ 16,618	$ 281,982	$ 265,364	$ 16,618
Sandoval	$ 799,388	$ 145,756	$ 870,901	$ 365,666	$ 32,653	$ 1,139,785	$ 1,652,274	$ 184,234	$ 4,789,332	$ 4,605,098	$ 184,234
Santa Fe	$ 2,292,001	$ 918,785	$ 687,668	$ 271,536	$ 71,185	$ 2,071,485	$ 4,243,597	$ 586,918	$ 10,235,270	$ 9,648,352	$ 586,918
Sierra	$ 84,063	$ -	$ 25,858	$ 36,471	$ 3,941	$ 45,446	$ 76,072	$ 10,937	$ 238,327	$ 227,390	$ 10,937
Socorro	$ 81,075	$ 8,759	$ 43,688	$ -	$ 2,627	$ 51,705	$ 120,476	$ 10,999	$ 296,066	$ 285,067	$ 10,999
Taos	$ 279,900	$ -	$ 230,431	$ 79,069	$ 10,553	$ 134,186	$ 536,251	$ 61,378	$ 925,881	$ 864,503	$ 61,378
Torrance	$ 39,385	$ 635	$ 10,580	$ -	$ 1,432	$ 24,899	$ 16,345	$ 4,520	$ 83,791	$ 79,271	$ 4,520
Union	$ 8,318	$ -	$ 4,157	$ -	$ 331	$ 3,667	$ 6,894	$ 1,161	$ 22,373	$ 21,211	$ 1,161
Valencia	$ 182,171	$ 18,786	$ 163,905	$ 44,125	$ 5,745	$ 213,498	$ 354,641	$ 36,343	$ 902,848	$ 866,505	$ 36,343
	$ 18,820,866	**$ 3,019,016**	**$ 14,072,430**	**$ 8,943,886**	**$ 732,052**	**$ 14,550,977**	**$ 45,948,831**	**$ 3,759,190**	**$ 102,682,936**	**$ 98,923,747**	**$ 3,759,190**

Attachment 3.

Share of Housing Units in Complex with 5 or More Units	
Bernalillo	19.2%
Catron	0.0%
Chaves	7.8%
Cibola	6.0%
Colfax	7.8%
Curry	6.0%
De Baca	0.0%
Doña Ana	12.9%
Eddy	7.4%
Grant	8.1%
Guadalupe	3.3%
Harding	0.0%
Hidalgo	5.7%
Lea	8.5%
Lincoln	5.2%
Los Alamos	15.9%
Luna	9.5%
McKinley	4.1%
Mora	1.7%
Otero	4.2%
Quay	4.4%
Rio Arriba	1.4%
Roosevelt	5.0%
Sandoval	3.8%
San Juan	5.4%
San Miguel	6.9%
Santa Fe	11.6%
Sierra	7.6%
Socorro	9.6%
Taos	8.2%
Torrance	3.3%
Union	4.1%
Valencia	4.0%
Statewide	*11.8%*

Source: US Census Bureau