

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

January 27, 2025

Bill: HB-46

Sponsor: Representative Eleanor Chávez

Short Title: Real Property from Heath-Related Equipment

Description: This bill provides that real property that was first purchased, acquired, leased, financed or refinanced prior to July 1, 2025, with the proceeds of bonds issued pursuant to the Hospital Equipment Loan Act that is then purchased, acquired, leased, financed or refinanced on or after July 1, 2025, shall no longer be exempt from property taxation pursuant to Section 58-23-29 NMSA 1978. The bill also amends the definition of “health-related equipment” to remove “real property” from the definition and provides other clarifications.

Effective Date: July 1, 2025.

Taxation and Revenue Department Analyst: Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	See Revenue Impact Narrative				R	Counties, Municipalities, Property Taxing Districts
--	20	20	20	20	R	State General Obligation Bond Fund

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

Methodology for Estimated Revenue Impact: The Taxation and Revenue Department (Tax & Rev) assumes that the technical issue removing the exemption in the Property Tax Act will be completed (See Technical Issues). Based on data from the New Mexico Hospital Equipment Loan Council¹, Tax & Rev aggregated past financings for private healthcare facilities. Tax & Rev assumed 75% of the financing was used for financing real property that is no longer tax exempt. Per discussions with the council, the 75% was assumed due to the majority of financing being put towards construction and refinancing. With the aggregated amount, Tax & Rev applied 1/3 for the taxable value and then 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 Administration². Tax & Rev arrives at an estimated increase in property tax revenue of approximately \$2.8 million. Of the \$2.8 million, Tax & Rev assumes that 25% may be refinanced (see Policy Issues below) and thus subject to property tax. This assumes that some facilities will need to be refinanced under the Hospital Equipment Load Act but that the majority do not need to be refinanced or they will find it non-advantageous under this Act to do so. Local impacts of the legislation proposed in this bill will vary by those counties with private facilities and the local trends in property values, but the net fiscal impact for taxing districts will be zero as it assumed the tax liability will be lowered for other taxpayers. There is an assumed 2.5% impact to the state General Obligation Bond (GOB) fund, which is used to make debt service payments on State GOBs.

Policy Issues: While the creation of the original exemption may have enabled new health care facilities to be created or expanded under the expansion of the industrial revenue bonds, it may have had a detrimental

¹ <https://www.nmhelc.org/>

² <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/property-taxes/property-tax-facts/>

impact to local governments' tax bases in particular smaller counties with health facilities. With the removal of the exemption, the application of taxability will only apply to refinanced real property or newly acquired real property. Local governments' may see a small expansion of their tax base as assumed under the revenue impact above which may lessen the burden on the current taxbase. Most facilities will not find refinancing viable given the repealing of their exemption from property tax. The future tax base may expand with the building of new health facilities or current facilities being purchased.

Technical Issues: While this bill removes the exemption after July 1, 2025 for real property from proceeds of bonds issued pursuant to the Hospital Equipment Load Act under 58-23-29 NMSA 1978 which falls under the Hospital Equipment Loan Act, the bill does not remove the same exemption under 7-36-3.C NMSA 1978 which exempts under the Property Tax code. A parallel amendment must be made to 7-36-3.C NMSA 1978 to bring this real property into the tax base.

Other Issues: Tax & Rev suggests that the effective date be January 1, 2026 so as to align with the property tax year which is by calendar year.

Administrative & Compliance Impact: This bill presents little to no impact for Tax & Rev. Assuming the parallel removal of the exemption in the property tax code, county assessors will be more heavily impacted as they must account for any health-related real property in the county previously granted an exemption.