

LFC Requester:

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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 2/6/2025 *Check all that apply:*
Prepared: _____
Bill HB 294 Original Correct
Number: _____ ion _____
 Amend Substit
 ment ute _____

Spons _____
or: Kathleen Cates
Agency _____
Name and _____
Code _____
Number: NMDA - 199
Person Writing _____
Analysis: Jeff Witte
Short Taxation of Certain
Title: Agricultural
 Land
Pho _____
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ema _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
N/A	N/A	N/A	N/A

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
N/A	N/A	N/A	N/A	N/A

(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	NFI	NFI	NFI	NFI	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House bill 294 (HB 294) amends section 7-36-20 NMSA 1978 to allow lands with a conservation easement held by a state agency, federal agency or nationally accredited land trust to qualify as under agricultural use for the special method of land valuation. The provisions would apply beginning in tax year 2025.

FISCAL IMPLICATIONS

There would be no fiscal implications for NMDA.

SIGNIFICANT ISSUES

The special method of valuation under section 7-36-20 NMSA 1978 is intended to maintain the continued use of agricultural lands in active production. For lands to qualify for the special valuation method, there must be a bona fide primary agricultural use of the land and the capacity to produce agricultural products. Section 7-36-20 NMSA 1978 statutorily defines agricultural use to include the production of agricultural products, enrollment in a federal soil conservation program, the resting of land to maintain agricultural capacity and the resting of land due to drought conditions.

Land conservation easements are voluntary legal agreements in which a landowner agrees to restrict certain property rights, such as subdivision or development, to protect conservation values. These property restrictions are typically permanent and transferred to subsequent landowners. Conservation easements generally result in a diminution of land value resulting from the restrictions. The terms and conditions of easements vary depending on the conservation values protected, but many easements allow and are intended to preserve ongoing agricultural uses.

Tax code at 7-36-4 (D) requires that nonexempt fractional interests shall be valued pursuant to the applicable methods of valuation. Conservation easements create fractional interests in land title. HB 294 would require that fractional interests created by conservation easements be valued using the special method of valuation of land used primarily for agricultural purposes. This could create a conflict in situations where the conservation easement was created for purposes other than agricultural production such as recreation or open space.

PERFORMANCE IMPLICATIONS

N/A

ADMINISTRATIVE IMPLICATIONS

There would be no administrative implications for NMDA.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House bill 28 also amends section 7-36-20 NMSA 1978. However, the two bills amend separate provisions and do not appear related.

TECHNICAL ISSUES

Under 7-36-20, the value of land used primarily for agricultural purposes shall be determined “on the basis of the land's capacity to produce agricultural products.” If land under a conservation easement is not capable of or has not been used historically for agricultural production, the New Mexico department of agriculture (NMDA) is unclear how this value will be determined.

HB 294 stipulates that to qualify as an agricultural use, the land conservation easement must occur “over a landowner’s land that contains important habitat area or significant natural, open space or historic resources.” NMDA is unclear if county assessors will be given the discretion to determine whether a conservation easement contains sufficiently important habitat or significant natural, open space or historic resources. This could lead to subjective determinations.

For land with a conservation easement to qualify as under agricultural use, the easement must be held by a state or federal agency or a nationally accredited land trust. There are circumstances where land conservation easements are held by local governments or political subdivisions. It is unclear if land under easements by these entities would qualify for the special valuation.

OTHER SUBSTANTIVE ISSUES

The state of New Mexico already has programs in place to fund and incentivize conservation easements. Under the New Mexico Land Conservation Incentives Act ([75-9-1](#) to [75-9-6](#) NMSA 1978), the New Mexico Energy, Minerals and Natural Resources Department (ENMRD) offers a state tax credit for charitable donations of land interests, including easements, for conservation purposes. These credits may be applied to income or corporate tax liabilities and are worth 50% of the value of the donation, up to two hundred and fifty thousand dollars (\$250.0). The Natural Heritage Conservation Act authorizes EMNRD to fund conservation and agricultural easements using the natural heritage conservation fund.

ALTERNATIVES

The intent of 7-36-20. is specific to land’s capacity to produce agricultural products. Consider creating a separate special valuation category for land under a conservation easement rather than inserting under agricultural use.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 294 is not enacted, the current definition for agricultural use in New Mexico property tax code will not be amended. There will not be a provision that counts holding a land conservation

easement as an agricultural use for the special method of property valuation.

AMENDMENTS

N/A