

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 20, 2025

Bill: SB-186

Sponsor: Senators Peter Wirth and George K. Muñoz

Short Title: Multifamily Housing Valuation

Description: This bill creates a new section of the Property Tax Code to provide a special method of valuation for multifamily housing, defined as housing having five or more units for rent or lease. The bill provides a formula for increases in value over the prior year, including that the per-unit value of a multifamily housing complex in a tax year shall not exceed an amount equal to the total property value divided by the number of units in the multifamily housing, multiplied by 40% and shall be the lower of current and correct value or the actual costs of construction of the multifamily housing and the actual costs of the land on which the multifamily housing is located. The bill provides that no value shall be attributed to any amenities or ancillary improvements at the housing unit.

Effective Date: Not specified; 90 days following adjournment (June 20, 2025). Applicable to the 2026 and subsequent property tax years.

Taxation and Revenue Department Analyst: Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
					R	Counties, Municipalities, Property Taxing Districts
					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 special valuation of property for multifamily housing contains several conditions that could significantly lower the taxable value of certain multifamily residential property and thereby substantially decrease the residential tax base for counties. Tax & Rev began by gathering data on the number of housing units in New Mexico. Table 1 shows historical counts by the U.S. Census of all housing units in New Mexico.

Annual Estimates of Housing Units for the United States, Regions, States, and the District of Columbia: April 1, 2020 to July 1, 2023					
Geographic Area	April 1, 2020 Estimates Base	Housing Unit Estimate (as of July 1)			
		2020	2021	2022	2023
New Mexico	940,859	942,227	947,854	956,101	965,399

Source: U.S. Census Bureau, Population Division, May 2024

Data from the 2023 American Community Survey (ACS), 5-year estimates, states that 15.5% of housing units are 2- or more unit structures. Data from the 2018 ACS 1-year has the number of rental units in New Mexico with 5 or more units at 85,364 which of the 2020 figure above would be about 9% of housing units.

While an estimate of multifamily units may be arrived at, Tax & Rev could not substantiate the property

value for these multifamily units and land on which they are located. The New Mexico Department of Finance and Administration publishes an annual “Property Tax Facts” which contains an aggregate taxable value for all residential property by county.¹ Tax & Rev cannot assume that the percentage of multifamily units of all housing units in New Mexico would translate to an exact percentage of taxable value. In addition, the bill proposes three important measures that would substantially decrease the value of the multifamily units. Under Section 2, subsection (A)(2), on page 4, the bill decreases the per-unit value of the housing complex by 40-percent and then under subsection (A)(3) removes any value attributed to amenities or ancillary improvements. As noted below in Policy Issues, such improvements can represent significant taxable value of the property when excluding amenities such as swimming pool and club houses, etc. Finally, under subsection B, on page 4, the current and correct value of the property is the lesser of two measures, (1) the current or correct value or (2) the actual costs of construction and the actual costs of the land. As noted below in Policy Issues, actual construction costs could severely undervalue the property value when looking at the historical dates of construction for multifamily property in the state, especially as there is no provision for truing up the costs to current values. With between 9% and 15.5% of residential housing units potentially subject to this special valuation, Tax & Rev assumes potentially significant loss of taxable property value for counties and other special taxing districts. Tax & Rev notes that this loss of residential property value will be more pronounced in counties with larger metropolitan areas, particularly Bernalillo, Sandoval, and Santa Fe counties. Local impacts of the legislation proposed in this bill will also vary widely across the state depending on the local trends in multifamily property values, as well as the remaining local authority to adjust property tax rates.

Policy Issues: The special valuation in property tax for multifamily housing will erode horizontal equity between various portions of the residential taxable base: including between multifamily units of less than 5 units versus more than 5 units, single-family rental homes versus multifamily and rental property versus owner owned and occupied residencies. The bill will represent an erosion of the local property tax base, on which most local governments rely for their budgets and operations. The properties not included in the special valuation will bear the transfer of the taxable value and property taxes. The proposal also erodes equity between counties as those counties with larger metropolitan areas and thus more multifamily housing could see a higher loss of property tax base versus more rural counties.

Tax & Rev notes that under Section 2, the proposed subsection A (3) which states “no value shall be attributed to amenities or ancillary improvements . . .” would mean no taxable value for swimming pools; club houses; tennis courts; exercise facilities; parking lots; sidewalks, among other amenities. This represents significant taxable value and therefore increases the potential revenue loss for counties.

An assumed intent of this special valuation may be to lower property taxes for multifamily units so that the rent charged per unit can also be subsequently lowered. But such an intent cannot be guaranteed and if that is the intent it goes against the tax policy of ‘efficiency’. As Tax & Rev describes in the Tax Expenditure Report, efficiency requires that taxes be levied in a way that seeks to minimize market distortions². The New Mexico housing market along with the national housing market is facing many challenges including high demand and short supply for all levels of housing. The housing market faces many constraints outside of local control given the current inflationary factors for building materials and the higher mortgage rates facing potential home buyers. Even if the intent is not to influence the rent of properties, the proposal does introduce market distortions for the buying of, selling of and investment in multifamily units.

Technical Issues: Subsection B lists two options for determining in the “current and correct value of multifamily housing” of which the lower shall be applied. The second option, (2) uses the “actual costs of

¹ <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/property-taxes/property-tax-facts/>

² New Mexico 2024 Tax Expenditure Report, <https://www.tax.newmexico.gov/forms-publications/>

construction and the actual costs of the land.” Tax & Rev notes the construction costs could represent construction costs from prior decades. The following table excerpt from the University of New Mexico’s Bureau of Business and Economic Research (BBER) New Mexico 2021 Apartment Survey report shows apartment properties built as far back as the 1930’s³.

Table 1. Counts of Apartment Properties, Year property Built and Count of Units by Type

Table 1. Counts of Apartment Properties, Year Prop

Area ¹	Count of Properties	New Mexico Counties ar	
		Year Property Built ²	
		Earliest	Latest
Chaves	15	1972	2008
Cibola	4	1968	2018
Curry	30	1963	2014
Dona Ana	59	1960	2014
Eddy	14	1935	2018
Grant	9	1970	2000
Guadalupe	5	1969	1997
Lea	17	1960	2018
Lincoln	6	1984	2005
Los Alamos	11	1948	2002
Luna	14	1940	2005
McKinley	24	1970	2016
Otero	9	1984	2007
Quay	6	1969	2011
Rio Arriba	5	1978	2003
Roosevelt	10	1963	2012
San Juan	18	1970	2011
San Miguel	9	1976	2002
Sandoval	6	1971	2017
Sierra	4	1974	1988
Socorro	5	1973	1986
Taos	7	1996	2013
Valencia	10	1978	2010
Colfax/Hidalgo/Torrance/Union ³	5	1974	1998
New Mexico Study Area	302	1935	2018

1. These figures do not represent a comprehensive coverage of all areas in each county.

Tax & Rev notes this could lead to properties being valued at substantially lower values and lead to more loss to counties. Tax & Rev recommends under the second cost option to add on line 20 after the word

³ Suzan Reagan,. UNM Bureau of Business & Economic Research (2021). March 2021 New Mexico Apartment Survey – Prepared for the New Mexico Mortgage Finance Authority.

“costs”, “as calculated using current generally accepted cost accounting methodology and inflationary adjustments.”

Other Issues: None.

Administrative & Compliance Impact: This bill presents little to no impact for Tax & Rev’s Property Tax Division. County assessors will be more heavily impacted.