

<b>LFC Requester:</b>	
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**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**

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**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 2.6.25 *Check all that apply:*  
**Bill Number:** H218-341 Original  Correction   
 Amendment  Substitute

**Sponsor:** Rep. Lente **Agency Name and Code** DFA-341  
**Short Title:** TAX CHANGES **Number:** \_\_\_\_\_  
**Person Writing** DelgadoL.  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	Slightly Positive	Slightly Positive	Slightly Positive	Slightly Positive	R	Section 68: General Fund
--	Slightly Positive	Slightly Positive	Slightly Positive	Slightly Positive	R	Section 68: Local Governments
--	\$176	\$184	\$190	\$201	R	Section 91: General Fund
--	\$3,300	\$3,800	\$4,500	\$5,100	R	Sections 114:115: Severance Tax Bonding Fund
--	\$150	\$174	\$230	\$264	R	Sections 121:122: General Fund
--	\$18	\$21	\$57	\$65	R	Sections 121:122: Reclamation Fund
--	\$2,800	\$3,200	\$3,800	\$4,300	R	Sections 125:126: Early

						Childhood Education and Care Fund/Tax Stabilization Reserve
--	\$900	\$1,000	\$1,200	\$1,400	R	Sections 133:134: Counties and School Districts
--	\$0	\$0	\$0	\$0	R	Section 149: All associated funds, including the General Fund
--	\$25	--	--	--	NR	Section 157 – Repeal of 7-2H-1 - 2H-4 NMSA 1978: General Fund
--	<b>\$351</b>	<b>\$358</b>	<b>\$420</b>	<b>\$465</b>	<b>R</b>	<b>Total General Fund</b>

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(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 218, introduced in the 57th Legislature of New Mexico's First Session in 2025, seeks to modernize and streamline existing taxation laws in the state. This bill updates various sections of the New Mexico Statutes relating to taxation, aiming to simplify tax processes, and improve compliance mechanisms. With a focus on clarity, efficiency, and consistency, the legislation also introduces measures for electronic filing, adjustments in tax liability processes, and greater public access to information regarding tax credits and refunds.

**Key Points of House Bill 218**

- **Metropolitan Redevelopment Code:** Amendments to align with destination sourcing principles.
- **Taxpayer Rights:**
  - Enhanced ability for the Secretary of Taxation and Revenue to compromise on asserted tax liabilities.

- Increased transparency for installment agreements, abatement processes, and refunds available for public inspection.
- **Filing Procedures:**
  - Establishing that electronic filers must adhere to the same deadlines as traditional filers.
  - Introduction of provisions that allow taxpayers to file claims for refunds using completed returns.
- **Tax Distribution Adjustments:** Allowing adjustments in distributions and transfers to local political subdivisions.
- **Tax Credits:** Expanded definitions and provisions for tax credits related to agricultural biofuels, sustainable building initiatives, and more, focusing on economic development and environmental sustainability.
- **Compliance Training:** Requirements for municipal and county officials to receive training on handling confidential taxpayer information.
- **Notice of Potential Benefits:** Procedures to inform eligible taxpayers about benefits like the Supplemental Nutrition Assistance Program.

## FISCAL IMPLICATIONS

DFA has reviewed TRD's analysis, adopted its estimates (see table above for details), and supports its findings. HB218 aims to create a streamlined approach to taxation, enhancing efficiency and transparency in tax administration while promoting responsible fiscal management in New Mexico.

TRD's fiscal impact report includes the following assessment for Sections 68, 91, 114, 115, 121, 122, 125, 126, 133, 134, 149, and 157. For full details, please refer to TRD's FIR.

**Methodology for Estimated Revenue Impact:** The overarching goal of this bill is to bring clarity, accuracy and brevity to the tax code. The majority of the proposed amendments do not represent any material changes and will not result in a revenue impact. The sections listed in the estimated revenue impact table above and described below represent the only sections where Tax & Rev believes there are revenue impacts, or where the amendments require clarification as to why they cause no fiscal impact.

**[Section 68]:** To the extent that taxpayers have been obtaining non-taxable transaction certificates (NTTC) in bad faith to qualify for GRT deductions, this proposed amendment may increase and preserve State and local GRT revenue.

**[Section 91]:** The State GRT and compensating tax rates were recently reduced from 5.125% to 4.875%. But for purposes of calculating the Investment Credit, Section 7-9A-5(B) still reflects a 5.125% rate. This bill will ensure the Investment Credit will always be calculated on the then-current state GRT rate. Tax & Rev used data recorded in the 2024 Tax Expenditure Report to estimate the revenue gain for the General Fund from modifying 7-9A-5 NMSA 1978 subsection B to have the compensating tax rate equal to the gross receipts tax rate for purposes of calculating

the amount of an Investment Tax Credit. As this credit is available for manufacturers along with other deductions that reduce manufacturer GRT and Compensating (CMP) tax liabilities, Tax & Rev assumed that the majority of taxpayers claiming the credit have equipment not subject to GRT or CMP and the calculation under 7-9A-5(B) applies. This is supported by the majority of the credit being applied against withholding tax liability. The analysis used data for the fiscal year 2024 on the investment credit claimed against withholding and applied the GRT revenue growth from the December 2024 Consensus Revenue Estimating Group (CREG) forecast.

**[Section 95]:** The petroleum products loading fee has been at \$150 per load under the current statute. There is no fiscal impact to the removal of the tiered rates.

**[Sections 114-115, 121-122, 125-126, 133-134]:** Tax & Rev evaluated the current trend for taxable slop or skim oil that is being reported by taxpayers. Tax & Rev assumes this reported slop and skim oil represents 50% of current taxable slop or skim oil and additional defined “sediment” oil, and assumes that the remaining 50% is not currently being reported. Tax & Rev forecasted the current reported volumes with a simple linear trend model and a model comparing historical growth to total state oil production growth. The two models were averaged and applied to the December 2024 CREG forecast, assuming an additional 50% of new reported volume. Like oil volumes, the assumed oil price for these oil products was scaled to the CREG’s December 2024 oil price forecast based on the historical price differential. Tax & Rev applied the average FY23 and FY24 deduction percentage for these specific oil products to arrive at the estimated taxable value per fiscal year. The distribution to the various funds is based on the CREG’s December 2024 forecast for oil and natural gas revenue and statutory distributions.

**[Section 149]:** The current application of non-taxable premiums follows the proposed amendment to treat all supplemental health care plans equally. There is no fiscal impact to the law change.

**[Section 157]:** With the repeal of the obsolete Native American veterans’ income tax settlement fund, approximately \$25 thousand remaining in the fund untouched since FY2015 will revert to the General Fund.

## **SIGNIFICANT ISSUES**

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The proposed amendments to the Metropolitan Redevelopment Code and the Tax Increment for Development Act will not be enacted.

## AMENDMENTS