

LFC Requester:

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 Prepared: 2/10/2025 *Check all that apply:*
Bill Number: HB326 Original Correction
 Amendment Substitute

Sponsor: Anita Gonzales, Joseph L. Sanchez, Angelita Mejia, Harlan Vincent, Susan K. Herrera **Agency Name and Code:** Economic Development Department
Short Title: Small Business Disaster Relief Tax Credit **Number:** 41900
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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			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(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						

(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 326 (HB326) creates the small business disaster relief income tax credit under the Income Tax Act. A taxpayer who is not a dependent of another individual and who owns a small business in a governor-declared disaster area may claim a credit of five thousand dollars (\$5,000) against income tax liability.

To qualify, the taxpayer must own a business in an area designated as a disaster by the governor during the taxable year in which the credit is claimed. The business must have operated for at least two consecutive taxable years, including the year of the claim. Additionally, it must have experienced a 30 percent decline in gross revenue due to the disaster and had annual gross revenue below two million dollars (\$2,000,000) in that taxable year.

The New Mexico Economic Development Department (EDD) is responsible for certifying eligibility. Taxpayers must apply for certification using the required forms and procedures. If eligible, EDD issues a dated certificate stating the credit amount and the taxable years in which it may be claimed. These certificates are provided electronically to the Taxation and Revenue Department at regular intervals. Once certified, taxpayers must claim the credit within one year. Any credit amount exceeding the taxpayer's income tax liability is refunded to the taxpayer.

A taxpayer is allowed only one certified tax credit per taxable year. Married individuals filing separately for a taxable year in which they could have filed jointly may each claim half the credit. Additionally, a taxpayer who owns an interest in a partnership or limited liability company that qualifies for the credit may claim a portion based on ownership interest, but the total credit claimed by all members cannot exceed the allowable amount.

The credit is included in the tax expenditure budget and applies to taxable years beginning on or after January 1, 2025.

FISCAL IMPLICATIONS

SIGNIFICANT ISSUES

HB 326 is expected to provide important financial relief to small businesses affected by disasters, supporting their continued operation and enhancing their resilience to economic disruptions. However, a concern arises regarding the timing of the disaster declaration in relation to the taxable year for which the credit is claimed. The credit must be claimed for the taxable year in which the area is declared a disaster area. In cases where a disaster is declared late in the taxable year, businesses may not experience the full financial impact, including the 30 percent revenue decline, until the following year. This timing requirement may reduce the effectiveness of the bill for businesses facing delayed revenue declines.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

Limited and unpredictable for EDD based on emergency declaration.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS