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: *3/4/25*
Bill Number: *HB344*

Check all that apply:
Original *X* Correction __
Amendment __ Substitute __

Sponsor: Hochman-Vigil
Short Title: Gross Receipts Tax Changes

Agency Name and Code Number: Municipal League (ML)
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SECTION II: FISCAL IMPACT

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate, likely significant	Indeterminate, likely significant	Indeterminate, likely significant	Recurring	Municipalities

(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:

FISCAL IMPLICATIONS

The estimated range of HB344's GRT reduction to local governments is highly uncertain given the lack of publicly available data on healthcare spending on taxation, however, the impact is likely to be significant. The LFC's FIR notes an annual decrease of around $100 million in local governments' GRT revenue. It is not clear how the impact would be allocated across individual local governments.

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES

The Gross Receipts Tax (GRT) deduction in HB335 would significantly reduce local government GRT revenues. The loss of GRT revenue could seriously undermine local revenue stability, including cities' ability to pay for essential city services, public safety, and employee wage increases, among other needs. Municipalities rely on GRT revenue to fund operations, with over two-thirds of total municipal general fund revenue coming from GRT.

Municipalities have limited options to raise other revenue, and creating more deductions in the tax code can lead to a need to raise taxes to maintain revenue, disproportionately harming lower income New Mexicans.

Erosion of both local and state revenue is especially concerning at this time, given current reductions and uncertainty in federal funding.

Additionally, the proposed deductions could negatively impact municipal debt service coverage ratios, in turn impacting municipal bond ratings. Bond ratings could be affected by both a reduction in revenue, as well as the negative impact the revenue reduction would have on city budgets.

Businesses, including healthcare providers, are more likely to invest in New Mexico when there is strong public safety, a high quality of life, and reliable infrastructure—all of which depend on local governments having sufficient tax revenues to fund essential services that make communities safe, livable, and attractive for economic growth.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS