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: 2/26/2025 *Check all that apply:*
Bill Number: HB548 Original X Correction __
Amendment __ Substitute __

Sponsor: Nathan P. Small, Meredith A. Dixon
Short Title: Oil & Gas Equalization Tax Act

Agency Name and Code Number: Economic Development Department 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 548 (HB548) enacts the Oil and Gas Equalization Tax Act, imposing a privilege tax on the severance and sale of oil, liquid hydrocarbons, and non-hydrocarbon gas products. The tax rate is 0.85 percent of the taxable value of oil and other liquid hydrocarbons removed from natural gas at or near the wellhead. The Taxation and Revenue Department (TRD) collects this oil and gas equalization tax.

Every interest owner is considered to be in the business of severing products and is liable for the tax based on their share in the value of the products. Indian tribes, Indian pueblos, or individual Indians are liable for the tax to the extent permitted by law.

Taxable value is determined by the value of products, minus deductions for royalties paid to the United States, the state of New Mexico, or any Indian tribe, Indian pueblo, or Indian who is a ward of the United States, as well as the reasonable expense of trucking any product from the production unit to the first place of market.

The value of products may be determined by TRD if the operator and purchaser are affiliated, if the sale and purchase of products are not conducted at arm's length, or if no value has been established as defined in the act. TRD's determination must be commensurate with the actual price received for products of similar quality, character, and use severed in the same field or area.

If an increase in the value of a product is subject to approval by a federal or state agency or a court, the increased value is taxed. If the increase is later disapproved, the tax paid on the disapproved portion may be refunded upon application.

The tax is imposed only once on the same product. Reporting of products on which the tax has been paid is subject to rules set by TRD.

An operator making a payment to an interest owner for their portion of the value of products must withhold the interest owner's tax from the payment. A purchaser must withhold the tax from such a payment only if required by an agreement with the operator or as directed by TRD. An operator or purchaser who pays an interest owner's tax is entitled to reimbursement and may take credit from any payment to the interest owner for the value of products.

An operator and a purchaser must each file a monthly return with TRD, reporting the total value, volume, and kind of products sold or purchased from each production unit. Taxes due must be submitted with the return.

An entity filing as an operator must make an advance payment determined annually by TRD. The advance payment includes the oil and gas equalization tax, penalty, or interest due, and is based on the average tax paid by the entity. A credit may be claimed equal to the amount of the previous year's advance payment. If no tax is due in a given year, the credit cannot be claimed. If tax deadlines are accelerated, the advance payment requirement is void, and any amounts paid are credited to the entity's account.

HB548 also amends Section 7-1-2 NMSA 1978 to include the Oil and Gas Equalization Tax Act under the Tax Administration Act.

A production unit is a designated property where severance occurs. Severance is the removal of any oil, liquid hydrocarbons, and non-hydrocarbon gas products from the soil. Operators are entities engaged in severance or holding an ownership interest in products at the time of severance. Purchasers are those who first buy severed products.

The provisions take effect on July 1, 2025.

FISCAL IMPLICATIONS

HB548 requires TRD to administer the oil and gas equalization tax, which will likely create a need for additional resources, including new FTEs.

SIGNIFICANT ISSUES

While the oil and gas equalization tax can increase state revenue and improve regulation of the sector, it will also raise operational costs for companies. The addition of this tax to existing levies may deter investment and could potentially impact employment and local economies that heavily depend on the industry, possibly leading to job losses and reduced economic activity in those areas.

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