

**BILL ANALYSIS AND FISCAL IMPACT REPORT**  
**Taxation and Revenue Department**

**February 8, 2025**

**Bill:** SB-138

**Sponsor:** Senator George K. Muñoz

**Short Title:** Oil & Gas Funds to Judicial Retirement

**Description:** This bill removes language relating to the distribution of Oil and Gas Proceeds and Pass-Through Entity withholding tax to the magistrate and judicial retirement funds from Section 7-1-6.43 NMSA 1978 and retains only the distribution of that funding source to the legislative retirement fund.

**Effective Date:** Not specified; 90 days following adjournment (June 20, 2025).

**Taxation and Revenue Department Analyst:** Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	\$1,600	\$1,600	\$1,600	\$1,600	R	General Fund – CIT
--	\$800	\$800	\$800	\$800	R	General Fund – PIT (Fiduciary Returns)
--	\$2,400	\$2,400	\$2,400	\$2,400	R	General Fund - Total
--	(\$1,200)	(\$1,200)	(\$1,200)	(\$1,200)	R	Magistrate Retirement Fund
--	(\$1,200)	(\$1,200)	(\$1,200)	(\$1,200)	R	Judicial Retirement Fund
See narrative						Legislative Retirement Fund

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

**Methodology for Estimated Revenue Impact:** Based on the Consensus Revenue Estimating Group (CREG) December 2024 forecast, the distributions to the Magistrate Retirement and Judicial Retirement Funds were assumed to continue through the forecast outlook. These two distributions are split between corporate income and fiduciary returns revenue is accrued to the General Fund through Personal Income Tax (PIT), (i.e. the income is passed through to the beneficiaries and taxed under the Income Tax Act). The current statute has the new distribution to the Legislative Retirement Fund commencing July 1, 2025 and was already built into the CREG December 2024 forecast and thus there is no impact to this fund or the General Fund. Tax & Rev notes that by striking subsection C on page 3 of the bill that required the Public Employees Retirement Association (PERA) to correspond with Tax & Rev on distribution changes to the Legislative Retirement Fund removes official notification of changes to the distribution amount under the proposed 7-1-6.43 NMSA. Tax & Rev did receive correspondence from PERA in December 2024, per the current statute, indicating the distribution amount should increase to approximately \$273 thousand a month. (See Policy Issues and Technical Issues.)

**Policy Issues:** The current statute requires annual consultation with the PERA and the administrative office of the courts to determine if the funding ratio for the Magistrate Retirement and Judicial Retirements funds are greater than 100%. In the event the ratio is at 100% the distributions would be ceased in FY2025 but may resume in subsequent fiscal years. Tax & Rev does not know whether PERA or the administrative office of the courts have issued statements on the funding ratio for these funds. As noted above Tax & Rev did receive correspondence for the Legislative Retirement Fund which indicates an increase in the distribution. Tax & Rev suggests their consultation on the impact of this proposal as SB-138

these funds may be adversely impacted. This proposal though would increase a recurring General Fund revenue source, increasing the legislature’s budgetary flexibility with respect to the broad appropriation needs of the State in future years.

**Technical Issues:** Tax & Rev suggests that subsection C on page 3 remain in the statute and not be struck. Without that section, Tax & Rev will not receive official notification to adjust the amount of the Legislative Retirement fund in FY2025 and forward under the new proposed section A, on page 2.

Tax & Rev suggests a change to the effective date so that the changes to the distributions coincide with the start of the fiscal year accrual. Tax & Rev suggests a new section of the bill be added on page 3, stating an effective date of July 1, 2025.

**Other Issues:** None.

**Administrative & Compliance Impact:** Tax & Rev’s Administrative Services Division (ASD) will update and test changes to the general ledger, revenue reporting and create a new distribution. This also requires updating year-end processes and reports. It is anticipated that this work will take approximately 40 hours split between 2 FTE of a pay band 70 and a pay band 80 at a cost of approximately \$2,500. Pay-band 70 hours are estimated at time and ½ due to extra hours worked required for implementation.

Implementing this bill will have a low impact on Tax & Rev’s Information Technology Division (ITD), approximately 50 hours and an estimated \$11,500 of contractual costs.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year Total Cost		
\$2.5	--	--	\$2.5	NR	Tax & Rev- ASD staff workload
\$11.5	--	--	\$11.5	NR	Tax & Rev- ITD contractual costs

\* In thousands of dollars. Parentheses ( ) indicate a cost saving. \*\* Recurring (R) or Non-Recurring (NR).