

LFC Requester:

Brendon Gray

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

SECTION I: GENERAL INFORMATION

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

Date Prepared: 01/28/2025

Check all that apply:

Bill Number: SB140

Original Correction
Amendment Substitute

Sponsor: Sen. Harold Pope

Agency Name and Code Number: 305 – New Mexico Department of Justice

Person Writing

Short Title: CERTAIN INCOME TAX EXEMPTIONS

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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

This analysis is neither a formal Opinion nor an Advisory Letter issued by the New Mexico Department of Justice. This is a staff analysis in response to a committee or legislator’s request. The analysis does not represent any official policy or legal position of the NM Department of Justice.

BILL SUMMARY

Synopsis:

Senate Bill 140 (“SB140”) proposes new language to be adopted into the existing New Mexico Tax Code that provides exemptions from state income tax, based upon certain income levels. These levels are divided out into single with a modified gross income of \$40,000 or less, married individuals filing separately with a modified gross income of \$30,000 or less, and married filing jointly with modified gross income of \$60,000 or less.

FISCAL IMPLICATIONS

None.

SIGNIFICANT ISSUES

SB140 as proposed would require the Tax and Revenue Department (“TRD”) to rewrite the applicable tax code in New Mexico. The current Personal Income Tax (“PIT”) found in NMSA 1978, Section 7-2-7 derives its authority from NMSA 1978, Section 7-2-3, which allows the state to create an income tax. Similar to the United States income tax structure, the income tax structure in New Mexico is a progressive system that establishes different income tax rates for different levels of income. These are further split into single, married filing separately, and married filing jointly. SB140’s proposed language would place an exemption for income tax at income levels that are beyond the minimum income threshold in the current structure outlined in Section 7-2-7. This would create a conflict within the law and would require the legislature to also change the income tax progressive structure in Section 7-2-7. Recent changes that were effective January 1, 2025 state that all levels of income are subject to New Mexico State Income Tax, unless a qualifying exemption applies to the individual as stated in the tax code.

SB140 as proposed could create disparity within the language itself. The income level for exemption for those filing singly would be \$40,000, for those married filing separately would be \$30,000, and for those married filing jointly would be \$60,000. The proposed language in SB140 would seemingly discourage people from marrying because they could exempt more income by staying single.

Additionally, SB140 as proposed could be in conflict with the already existing low-income tax

exemption allowance as stated in NMSA 1978, Section 7-2-5.8. These exemptions exist for low- and middle-income earners in New Mexico.

SB140 as proposed does not indicate in what section the proposed additions will be placed. The proposed additions merely state that they are to be “section 1” and “section 2.” This could be problematic as new tax exemptions in the NMSA without reference could create a conflict of statutes. Presumably, the exemptions would either change the income tax breakdown listed in Section 7-2-7, Section 7-2-5.8, or a new section could be added to the code.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

SB140 does not list what part of the NMSA the language would be added to.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo.

AMENDMENTS

None.