LFC Requester:	Ismael Torres

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: 1/27/25

Bill Number: SB 141

Check all that apply:

Original X Correction ____

Amendment ____ Substitute ____

Sponsor: Sen. Peter Wirth

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

Person Writing Analysis: Tessa Ryan

Short Title: $100,000 Standard GRT Deduction

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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: This bill proposes to: (Section 1) increase the corporate income tax rate from 5.9% to 6.9%; (Section 2) remove the word "taxable" from the definition of "engaging in business," as used in the Gross Receipts and Compensating Tax Act; (Section 3) for gross receipts and compensating tax purposes, create a deduction from gross receipts of up to $100,000 per year for a taxpayer that both was engaged in business during the entire previous calendar year and also claimed no credit, deduction, or exemption in that year; and (Section 4) appropriate $100,000 from the general fund to the Taxation and Revenue Department so that it can update its software system to help administer that deduction, with remainder to revert to the general fund.

Sections 5 and 6 state that the provisions of the act apply to the taxable years beginning on or after 1/1/26 and that the effective date is 1/1/26.

Regarding Section 2, the proposed removal of "taxable" from the definition of "engaging in business" appears to be a technical change intended to clarify that an out-of-state taxpayer is still considered to be engaging in business for gross receipts and compensating tax purposes if they have gross receipts, sourced to New Mexico, of at least $100,000. Whether those receipts are taxable is delineated elsewhere in statute.

FISCAL IMPLICATIONS

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.

N/A

SIGNIFICANT ISSUES

Enforcement of Subsection B of Section 3 might be difficult. Specifically, it might be difficult to prove that a company that enters into the contemplated restructuring (i.e., one "to create subsidiaries for the purpose of claiming the deduction . . . for itself and each subsidiary") did so for that—and not some other—reason.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

Section 3(D) of the bill, the words “total” and “aggregate,” which are synonymous, are both used to describe the same thing. Perhaps only one of those words is needed.

OTHER SUBSTANTIVE ISSUES

Section 3(B), which proposes to create the new deduction from gross receipts, might be worded in a way that was unintended. It appears that the provision is attempting to prevent a corporate taxpayer from taking unfair advantage of the deduction by restructuring itself in such a way that both it and its newly formed subsidiaries would qualify for it, thereby increasing the total amount of deduction the entities could collectively claim.

However, as worded, the provision applies to the original company only (saying that it “shall only be allowed to claim the deduction as if the company and its subsidiaries are a single company”). If the intent is to prevent the newly formed subsidiaries from also claiming the full allowable deduction, then the provision should be reworded to apply to them, too.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS

See above.