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: 1/27/2025
Bill Number: SB141

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

Sponsor: Peter Wirth
Short Title: $100,000 STANDARD GRT DEDUCTION

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		
$100.0	$100.0	Nonrecurring	General Fund

(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:

Senate Bill 141 (SB141) amends three areas of New Mexico's taxation statutes.

Pursuant to Section 7-2A-5 NMSA 1978, SB141 increases the corporate income tax rate from 5.9 percent to 6.9 percent of taxable income, applicable to taxable years beginning on or after January 1, 2026.

In Section 7-9-3.3 NMSA 1978, under the Gross Receipts and Compensating Tax Act, the bill revises the definition of "engaging in business," specifically concerning entities lacking physical presence in New Mexico. Previously, such entities were considered "engaging in business" if they had at least $100,000 in total *taxable* gross receipts from sales, leases, or licenses sourced to the state in the prior calendar year. SB141 modifies this criterion by replacing "total taxable gross receipts" with "total gross receipts," thereby including the entire amount of gross receipts, not just the taxable portion.

SB141 also establishes a gross receipts tax deduction of up to $100,000 annually for taxpayers that did not claim any credit, deduction, or exemption under the Gross Receipts and Compensating Tax Act in the prior calendar year, provided they engaged in business throughout that year. Entities restructuring to form subsidiaries are limited to claiming the deduction as a single entity. Taxpayers claiming the deduction are required to report the amount separately. The deduction must be included in the tax expenditure budget pursuant to Section 7-1-84 NMSA 1978, along with the total annual aggregate cost of the deduction.

The provisions of the bill, including the increased corporate income tax rate, the revised definition of "engaging in business," and the gross receipts tax deduction, take effect on January 1, 2026.

Additionally, the bill appropriates $100,000 from the general fund to TRD for fiscal years 2025 and 2026 to support the administrative implementation of the gross receipts tax deduction. Any unexpended or unencumbered balance remaining at the end of fiscal year 2026 reverts to the general fund.

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.

SIGNIFICANT ISSUES

The increase in the corporate income tax rate from 5.9 percent to 6.9 percent is expected to generate additional revenue for the state. However, this change may raise concerns about New Mexico's competitiveness in attracting and retaining businesses. Higher tax rates could deter investments, hinder job creation, or incentivize some businesses to relocate to states with lower tax burdens.

The revised definition of "engaging in business" ensures that entities lacking physical presence in the state contribute fairly to the tax base. While this change could promote equity, it may also impose additional compliance costs on affected businesses, particularly smaller or out-of-state entities, potentially discouraging their participation in New Mexico's economy.

The gross receipts tax deduction of up to $100,000 for eligible businesses provides targeted relief and could stimulate local entrepreneurship. However, the restriction to businesses meeting specific conditions may exclude some entities and raise concerns about fairness. Additionally, the requirement to report the deduction separately increases transparency but could complicate tax filings for businesses.

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