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: *2/11/25* *Check all that apply:*
Bill Number: *SB 141* Original *X* Correction __
Amendment __ Substitute __

Sponsor: Wirth
Short Title: $100,000 Standard GRT Deduction

Agency Name and Code Number: Municipal League (ML)
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SECTION II: FISCAL IMPACT

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate, potentially significant	Indeterminate, potentially significant	Indeterminate, potentially significant	Recurring	Municipalities

(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:

FISCAL IMPLICATIONS

The estimated range of SB141's GRT reduction to local governments is highly uncertain given the lack of publicly available data but is likely to be significant. Detailed data, or analysis, from New Mexico Taxation & Revenue Department is needed to estimate the number of businesses impacted and overall GRT 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 Gross Receipts Tax (GRT) deduction in SB141 could significantly reduce local government GRT revenues. The loss of GRT revenue could seriously undermine local revenue stability, including cities' ability to pay for essential city services, public safety, and employee wage increases, among other needs. Reducing local governments' revenue has led to cities and counties being forced to raise taxes to provide essential services, disproportionately harming lower income New Mexicans.

There is a significant risk that businesses could abuse the proposed GRT deduction by creating multiple entities to receive the $100,000 GRT deduction multiple times. SB141 prohibits the structuring of subsidiaries, but there is nothing prohibiting the creation of multiple business entities.

For businesses that are meant to benefit from SB141's GRT deduction, it is a complicated structure for taxpayers, especially small businesses, as it requires them to register, track, report, and pay their GRT for 12 months, then separately calculate the deduction amount in the following year. Taxpayers also may not know as the year progresses if they benefit more from normal deductions, credits, and exemptions or the proposed $100,000 standard GRT deduction.

It is also unlikely that the proposed $100,000 standard GRT deduction would provide any consumer relief, as presumably the taxpayer will still charge the GRT to the consumer.

Additionally, the proposed deductions could negatively impact municipal debt service coverage ratios, in turn impacting municipal bond ratings. Bond ratings could be affected by both a reduction in revenue, as well as the negative impact the revenue reduction would have on city budgets.

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