

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: 2/24/25 *Check all that apply:*
Bill Number: SB 295 Original Correction
Amendment Substitute

Sponsor: Steinborn **Agency Name and Code** Municipal League (ML)
Short Title: Gross Receipts Tax Changes **Number:** _____
Person Writing Jacob Rowberry
Phone: 505-992-3538 **Email** jrowberry@nmml.org

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, likely significant	Indeterminate, likely significant	Indeterminate, likely 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 SB295’s GRT reduction to local governments is highly uncertain given the lack of publicly available data on healthcare spending on taxation, however, the impact is likely to be significant. The LFC’s FIR notes an annual decrease of around \$100 million in local governments’ GRT revenue. The hold harmless provision would provide around \$20 million annually to local governments according to the LFC FIR, making the net impact to local governments around \$80 million annually.

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 SB295 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.

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