

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

March 6, 2025

Bill: SB-445

Sponsor: Senator Roberto “Bobby” J. Gonzales

Short Title: Water Gross Receipts 6-Year Limit

Description: This bill amends Section 7-20E-26 NMSA 1978 to remove the provision that the water and sanitation gross receipts tax may be imposed for a period of 6 years.

Effective Date: July 1, 2025; Applicable to an ordinance imposing a water and sanitation gross receipts tax that is approved by voters on or after July 1, 2025.

Taxation and Revenue Department Analyst: Pedro Clavijo

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	--	No impact. See narrative			R	Doña Ana County
--	--	No impact. See narrative			R	Taos County

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact: Under current law, a county may impose the county water and sanitation Gross Receipts Tax (GRT) at a rate of 0.25% for six years on anyone engaged in business in the water and sanitation district. The tax must be approved by a majority of the voters in the district at a special election. The bill removes the six-year sunset of this local option tax to make this increment of the county GRT permanent. The Taxation and Revenue Department (Tax & Rev) identified two counties that currently levy such a tax: Doña Ana and Taos. Both ordinances will expire in the middle of the fiscal year 2027. If these two counties desire to extend these tax increments permanently after they expire, they will need to call for an election under Section 7-20E-26 NMSA 1978 and voters will need to approve it. In the case the ordinances are approved, the effective date of the new tax increment would be at least three months from the date the adopted ordinance is mailed or delivered to Tax & Rev. If the voters approve the ordinance in both counties, Tax & Rev estimates that for Dona Ana County the revenue retained from this tax increment is around \$390 thousand while for Taos County around \$230 thousand in the fiscal year 2029. These estimates used data from the GRT RP-500 report on the distributions made to these counties in fiscal year 2024 pursuant to Section 7-20E-26 NMSA 1978.

Policy Issues: While this tax increment may provide a way for counties to finance the provision of water and sanitation services, there is also the risk that temporary taxes will become permanent once the communities have assimilated to them, making the burden persistent. In Taos County's case, the tax increment has been extended several times, and through two different districts, it has helped meet the community's needs by providing safe drinking water and constructing wastewater systems.

Technical Issues: None.

Administrative & Compliance Impact: Tax & Rev will make information system changes and update forms, instructions, and publications.