

HOUSE RURAL DEVELOPMENT, LAND GRANTS AND CULTURAL AFFAIRS  
COMMITTEE SUBSTITUTE FOR  
HOUSE BILL 568

**57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025**

AN ACT

RELATING TO TAXATION; PROVIDING AN INCOME TAX DEDUCTION FOR THE  
COST OF LEGAL SERVICES PURCHASED BY A TAXPAYER TO RECOVER  
DAMAGES PURSUANT TO THE FEDERAL HERMIT'S PEAK/CALF CANYON FIRE  
ASSISTANCE ACT OR TO RECOVER DAMAGES FROM THE SALT AND SOUTH  
FORK FIRES OR THE WHITEWATER-BALDY FIRE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Income Tax Act is enacted  
to read:

"NEW MATERIAL DEDUCTION--COST OF LEGAL SERVICES TO  
RECOVER DAMAGES FROM CERTAIN WILDFIRES.--

A. A taxpayer who is not a dependent of another  
individual and who is eligible to receive compensation pursuant  
to the federal Hermit's Peak/Calf Canyon Fire Assistance Act  
may claim a deduction from net income in an amount equal to the

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1 cost of legal services purchased by the eligible taxpayer in a  
2 taxable year to recover damages pursuant to that act.

3 B. A taxpayer who is not a dependent of another  
4 individual may claim a deduction from net income in an amount  
5 equal to the cost of legal services purchased by the taxpayer  
6 in a taxable year to recover damages from the Salt and South  
7 Fork fires or the Whitewater-Baldy fire.

8 C. Married individuals who file separate returns  
9 for a taxable year in which they could have filed a joint  
10 return may each claim only one-half of the deduction provided  
11 by this section that would have been allowed on the joint  
12 return.

13 D. A taxpayer may claim the deduction provided by  
14 this section in proportion to the taxpayer's ownership interest  
15 if the taxpayer owns an interest in a business entity that is  
16 taxed for federal income tax purposes as a partnership or  
17 limited liability company and that business entity has met all  
18 of the requirements to be eligible for the deduction. The  
19 total deduction claimed in the aggregate by all members of the  
20 partnership or association with respect to the deduction shall  
21 not exceed the amount of the deduction that could have been  
22 claimed by a sole owner of the business.

23 E. A taxpayer allowed a deduction pursuant to this  
24 section shall report the amount of the deduction to the  
25 department in a manner required by the department.

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1           F. The department shall include the deduction  
2 provided in this section in the tax expenditure budget compiled  
3 pursuant to Section 7-1-84 NMSA 1978.

4           G. As used in this section, "legal services" means  
5 services performed by a licensed attorney to secure recovery  
6 for a taxpayer and does not include lobbying or government  
7 relations services, title insurance agent services, licensing  
8 or selling legal software or legal document templates,  
9 insurance investigation services or any legal representation  
10 involving financial crimes or tax evasion in New Mexico."

11           **SECTION 2. EFFECTIVE DATE.**--The effective date of the  
12 provisions of this act is July 1, 2025.

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