

1 HOUSE BILL 325

2 **57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025**

3 INTRODUCED BY

4 Gail Armstrong and Mark Duncan and Mark B. Murphy
5 and Rebecca Dow and Joshua N. Hernandez
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10 AN ACT

11 RELATING TO TAXATION; CREATING GROSS RECEIPTS TAX DEDUCTIONS
12 FOR SELLING LABOR INCURRED DURING THE CONSTRUCTION OF NEW
13 RESIDENTIAL HOUSING AND FOR SALES OF RESIDENTIAL HOUSING;
14 CREATING A HOLD HARMLESS DISTRIBUTION TO MUNICIPALITIES AND
15 COUNTIES.
16

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

18 SECTION 1. A new section of the Tax Administration Act is
19 enacted to read:

20 "[NEW MATERIAL] DISTRIBUTION TO HOLD HARMLESS
21 MUNICIPALITIES AND COUNTIES FROM GROSS RECEIPTS TAX DEDUCTIONS
22 FOR SELLING LABOR INCURRED DURING THE CONSTRUCTION OF NEW
23 RESIDENTIAL HOUSING AND FOR SALES OF RESIDENTIAL HOUSING.--

24 A. A distribution pursuant to Section 7-1-6.1 NMSA
25 1978 shall be made to a municipality in an amount, subject to
.229733.3

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1 any increase or decrease made pursuant to Section 7-1-6.15 NMSA
2 1978, equal to the total deductions claimed pursuant to
3 Sections 2 and 3 of this 2025 act for the month by taxpayers
4 from business locations in the municipality multiplied by the
5 sum of the combined rate of all municipal local option gross
6 receipts taxes in effect in the municipality for the month plus
7 one and two hundred twenty-five thousandths percent.

8 B. A distribution pursuant to Section 7-1-6.1 NMSA
9 1978 shall be made to a county in an amount, subject to any
10 increase or decrease made pursuant to Section 7-1-6.15 NMSA
11 1978, equal to the total deductions claimed pursuant to
12 Sections 2 and 3 of this 2025 act for the month by taxpayers
13 from business locations:

14 (1) within a municipality in the county
15 multiplied by the combined rate of all county local option
16 gross receipts taxes in effect for the month that are imposed
17 throughout the county; and

18 (2) in the county but not within a
19 municipality multiplied by the combined rate of all county
20 local option gross receipts taxes in effect for the month that
21 are imposed in the county area not within a municipality."

22 SECTION 2. A new section of the Gross Receipts and
23 Compensating Tax Act is enacted to read:

24 "[NEW MATERIAL] DEDUCTION--GROSS RECEIPTS--SELLING LABOR
25 INCURRED DURING THE CONSTRUCTION OF CERTAIN NEW RESIDENTIAL

.229733.3

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1 HOUSING.--

2 A. Except as provided in Subsection B of this
3 section, receipts from selling labor incurred during the
4 construction of new residential housing may be deducted from
5 gross receipts.

6 B. Receipts shall not be deducted pursuant to this
7 section if any receipt of the taxpayer is deducted pursuant to
8 Section 3 of this 2025 act during the twelve-month period
9 described in that section.

10 C. A taxpayer allowed a deduction pursuant to this
11 section shall report the amount of the deduction separately in
12 a manner required by the department.

13 D. A taxpayer shall not claim a deduction pursuant
14 to this section and a deduction pursuant to Section 3 of this
15 2025 act.

16 E. The deduction provided by this section shall be
17 included in the tax expenditure budget pursuant to Section
18 7-1-84 NMSA 1978, including the total annual aggregate cost of
19 the deduction.

20 F. As used in this section, "residential housing"
21 means residential property that is a single-family residence, a
22 town house, a condominium or an apartment building."

23 SECTION 3. A new section of the Gross Receipts and
24 Compensating Tax Act is enacted to read:

25 "[NEW MATERIAL] DEDUCTION--GROSS RECEIPTS--CERTAIN NEW
.229733.3

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1 RESIDENTIAL HOUSING.--

2 A. Except as provided in Subsection B of this
3 section, a taxpayer may deduct from gross receipts up to:

4 (1) one hundred twenty-five thousand dollars
5 (\$125,000) during any twelve-month period from the sale of new
6 residential housing; and

7 (2) seventy-five thousand dollars (\$75,000)
8 during any twelve-month period from the sale of new residential
9 housing that is intended for lease.

10 B. Receipts shall not be deducted pursuant to this
11 section if:

12 (1) the receipt is for a sale related to
13 renovation or remodeling; or

14 (2) during the twelve-month period, any
15 receipt of the taxpayer is deducted pursuant to Section 2 of
16 this 2025 act.

17 C. A taxpayer allowed a deduction pursuant to this
18 section shall report the amount of the deduction separately in
19 a manner required by the department.

20 D. A taxpayer shall not claim a deduction pursuant
21 to this section and a deduction pursuant to Section 2 of this
22 2025 act.

23 E. The deductions provided by this section shall be
24 included in the tax expenditure budget pursuant to Section
25 7-1-84 NMSA 1978, including the total annual aggregate cost of
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the deductions.

F. As used in this section, "residential housing" means residential property that is a single-family residence, a town house, a condominium or an apartment building."

SECTION 4. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2025.