FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Wirth	**ORIGINAL DATE**	2/5/25
SHORT TITLE	Local Journalist Employment Tax Credit	**BILL NUMBER**	Senate Bill 110
		ANALYST	Gray

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT and CIT	$0	($4,000)	($4,000)	($4,000)	($4,000)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	$0	$47.8	$0	$47.8	Nonrecurring	General Fund
TRD	$0	$85.6	$85.6	$171.2	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 111

Sources of Information

LFC Files

Agency Analysis Received From
Taxation and Revenue Department (TRD)
New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of Senate Bill 110

Senate Bill 110 (SB110) creates a refundable tax credit for local news organizations equal to 30 percent of the company's annual wages. The total amount that can be claimed each year is capped at $4 million.

The bill defines journalist, local news organizations, and wages. See *Significant Issues.*

This bill does not contain an effective date and, as a result, would go into effect 90 days after the

Legislature adjourns, or June 20, 2025, if enacted. The bill applies to tax years 2025 through 2029.

FISCAL IMPLICATIONS

This analysis estimates SB110 will decrease general fund revenues by $4 million beginning FY26. Analysis from the Taxation and Revenue Department (TRD) estimates a negative revenue impact of $2.4 million in FY26. Both LFC and TRD use similar methods but the LFC analysis assumes there are a greater number of print, photo, and broadcast journalists working at local news organizations which would qualify for the credit. Methods are discussed below.

Taxation and Revenue Department Revenue Impact Estimate
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT and CIT	$0	($2,380.0)	($2,510.0)	($2,610.0)	($2,710.0)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.

This bill creates or expands a tax expenditure. Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

Methods. TRD analysis assumes there are 210 journalists in New Mexico, of which 45 percent work full-time and have a median annual wage of $46.6 thousand. The agency used data from the Occupation Employment and Wage Statistics estimates. Part-time journalists are assumed to make $22.39 per hour at 20 hours per week. The analysis applied the 30 percent income tax credit to these annual total wages for an overall general fund decrease of $2.3 million. The impact was grown by the University of New Mexico Bureau of Business and Economic Research's latest forecast of statewide wage and salary growth.

LFC analysis assumes there are about 400 journalists in New Mexico who meet SB110's definition. The analysis matches all of TRD's other assumptions for a total cost of over $4 million. This analysis uses employment data from the Quarterly Census of Employment and Wages (QCEW) which reflects total payroll employment for newspaper publishers, periodical publishers, and television broadcasting stations, all of whom may employ people who meet the definition of journalists under SB110. Employment across these industries exceeds one thousand and annual wages exceed $60 million per year. Only one out of five of these wage earners need to meet the criteria of a journalist under SB110 to reach the $4 million aggregate cap. This analysis assumes that is a reasonable assumption, and, subsequently, estimates the cap will be met in each fiscal year.

Operating budget. TRD notes that this bill will increase the agency's administrative and IT costs on both a recurring and nonrecurring basis. FY26 costs are estimated by the agency to be $133.4 thousand, with a recurring impact of $85.6 thousand thereafter.

SIGNIFICANT ISSUES

Definitions. The bill defines journalist, local news organizations, and wages. One definitional concern is raised by analysis from the Office of the Attorney General (NMAG) regarding the different definitions of digital and print focused publications.

The bill defines a journalist as a person who:

- Is paid to regularly gather, prepare, collect, photograph, record, direct the recording of, produce, write, edit, report or publish news or information concerning state or local events or other matters of public interest for distribution through reporting activities;
- Resides within fifty miles of the coverage area assigned by the local news organization; and
- Works as a journalist for the local news organization for at least 25 percent of the year.

The bill defines a local news organization as an entity that:

- Provides a print or digital publication that engages professionals who regularly gather, prepare, collect, photograph, record, direct the recording of, produce, write, edit, report or publish news or information that concerns state or local events or other matters of public interest for distribution through reporting activities;
- Pays at least one individual through employment or contract;
- Discloses its ownership, or, if a non-profit, declares itself in federal filings, and does not receive more than 10 percent of its receipts from political action committees or other political entities;
- Is not a publicly traded entity or owned by a publicly traded entity; and
- For print publications:
    - Has published one print publication per month over the previous 24 months and holds a valid periodical permit or has 30 percent of its content dedicated to state or local news;
- For digital-only entities:
    - Has published at least four originally produced stories about the state or local communities per week over the previous 24-month period and has at least 50 percent of its digital audience in New Mexico.

NMAG analysis notes that the different definitions between print publication and digital publication may be problematic. Digital publications must produce 16 publications a month (four original stories for four weeks) covering state or local communities while print publications must only produce one publication with 30 percent of the content dedicated to local news. “There seems to be a lower bar in terms of actual local content,” the agency notes.

The agency also points out that the location standard for digital publications may raise issues. The bill requires that 50 percent of a digital publication must be in New Mexico. This may have unintended consequences in border areas of the state. “For instance, the Four Corners area may have a local publication that discusses news of import to Farmington, Durango, and other communities throughout four different states. A digital publication based in New Mexico that exclusively and frequently publishes on important local issues and employs New Mexicans as journalists might lose this tax advantage, even if competing against a publication located in Colorado.” It may be helpful to define what exactly it means for a digital audience to be located in New Mexico, the agency writes and define a specific methodology for the department to use in its implementation.

NMAG analysis notes that this provision “could be construed” as favoring one type of journalism over another, “possibly implicating issues related to freedom of the press.”

Lastly, the agency points out that requirement that a publication has a two-year history may not allow start-up publications to benefit from the tax credit.

NMAG also notes that the definitions of local news organizations under SB110 require the organization to have produced content for two years prior. In the related bill SB111, the organizations are required to have produced content for three years prior. It is unclear whether this is intentional, but policymakers may wish to consider the policy impacts.

Wage limitation. The bill may unintentionally provide an incentive for businesses to hire journalists with lower-than-typical wages. See the following analysis from TRD:

> Sections 1(J)(3), page 6 and 2(H)(3), page 10 and 11, set a wage limitation for the salary paid to a journalist at $50,000 annually including 401k contributions. With this limitation, this could potentially encourage employers to hire journalists with a lower-than-expected wage to remain eligible for refundable credits. To provide clarity, TRD suggests the definition of wages should include “Compensation means not more than fifty thousand dollars ($50,000) in wages for the purpose of calculating the tax credit. Employees who earn more than $50,000 are still eligible for the credit, but the maximum credit is limited to 30% of $50,000.”

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill relates to SB111, which creates a local news printer income tax credit.

TECHNICAL ISSUES

TRD points out several technical issues:

> On pages 2 and 7, Sections 1(C) and 2(C) do not state when the taxpayer needs to apply for the tax credit. TRD recommends adding the following on page 2, line 19 and page 7, line 21: “A taxpayer shall apply for certification of the eligibility for the tax credit from the department on the forms and in the manner prescribed by the department no later than one year following the end of the calendar year in which the wages were paid.”
>
> If the intent of the bill is to only apply to W-2 wage earning employees and not 1099 contractors, it may be prudent to clarify that in the bill language. The bill uses “employ” and “wages” but then includes in the definition of local news organization, in Sections 1(J)(2)(b), on page 4, lines 24-25 and 2(H)(2)(b), on page 9, lines 14-15, “pays at least one individual, either through employment or by contract…” Also, sections 1(J)(3), on page 6, and 2(H)(3), on pages 10 and 11, state that wages are paid through “the organization's payroll system.” It is not clear if the credit will include contractors who may not be paid through the payroll system. TRD recommends removing in Section 1(J)(2)(b), line 24 “, either” and on line 25 “or by contract” Similarly, in Section

2(H)(2)(b), remove on line 14 “, either” and on line 15 “or by contract”.

TRD recommends that wages should be replaced with the word “compensation” in the following sections: Section 1 (B) on page 2 line 4; in Section 1 (J) (3), page 6, lines 10, 13, and 15; in Section 2 (B), page 7, line 7; in Section 2 (H) (3), page 10, line 25; and in Section 2 (H) (3), page 11, lines 3 and 5.

The total annual aggregate amount for both the income tax subsection C (page 2 lines 6-19) is ambiguous as to whether the cap is for one qualified taxpayer or all qualified taxpayers. If the intent is an aggregate cap, which it appears to be, Tax & Rev suggests adding a new subsection at page 2, line 14 between “year.” and “The total …..” In this case, it would be Subsection “D” starting with “The total annual aggregate amount . . . concluding with line 19 “the order received.”

The same is true for Corporate Income Tax Subsection C on page 7, lines 9-21. Tax & Rev suggests adding a new subsection at page 7, line 16 between “year.” and “The total …..” as Subsection “D” starting with “The total annual aggregate amount . . . concluding with line 21 “the order received.” The bill outlines that only one credit shall be certified for each journalist, but it is unclear how it would be decided which local news organization would be able to claim a journalist that was employed with multiple organizations over the course of a year and the verification of each journalist working at least 25% of the year to be claimed. TRD suggests replacing “at least twenty-five percent of the taxable year in which the credit is claimed” to “employed more than 28 weeks of the calendar year” in Sections 1 (J) (c) and 2 (H) (c), page 4, lines 12-13 and page 9, lines 2-3.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **Accountability**: Preferences should be easy to monitor and evaluate

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✗	
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.		
Clearly stated purpose	✗	
Long-term goals	✗	
Measurable targets	✗	
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.		
Public analysis	✗	
Expiration date	✓	
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure.		
Fulfills stated purpose	?	
Passes "but for" test	✗	
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met ✗ Not Met ? Unclear		

BG/rl/sgs