FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Wirth	**ORIGINAL DATE**	2/5/2025
SHORT TITLE	Local News Printer Tax Credit	**BILL NUMBER**	Senate Bill 111
		ANALYST	Gray

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT and CIT	$0	($1,000.0)	($1,000.0)	($1,000.0)	($1,000.0)	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 110

Sources of Information

LFC Files

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

SUMMARY

Synopsis of Senate Bill 111

Senate Bill 111 (SB111) creates a refundable tax credit for businesses that provide newspaper printing services for news organizations. The credit would be based on the number of and wages paid to the employees of the printer.

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

Analysis from the Taxation and Revenue Department (TRD) estimates SB111 will reduce recurring general fund revenue by $1 million beginning in FY26. The agency assumes annual claims will be greater than the aggregate cap. Methods are discussed below.

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 uses Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW) to estimate the number of employees per establishment who would be eligible for the contemplated credit. The analysis estimates there are 752 employees and 119 establishments for a ratio of 6.3 employees per establishment. The agency then assumes 35 percent of all establishments have five employees or more, for an assumed 262 employees and 42 employers. If all these employees were eligible for the $5,000 per employee credit, the total cost would be $1.3 million, which exceeds the $1 million aggregate cap.

Operating budget. TRD notes this bill will increase the agency's administrative and IT costs on both a recurring and nonrecurring basis. Fiscal year 2026 costs are estimated by the agency to be $133.4 thousand, with a recurring impact of $85.6 thousand thereafter.

SIGNIFICANT ISSUES

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

- Provides manufacturing, production, and printing services for printing newspapers for a local news organization,
- Has been engaged in the business of providing local news printer services for five years,
- Employs at least five employees, and.
- Is not a publicly traded business.

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 nonprofit, 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 36 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 36-month period and has at least 50 percent of its digital audience in New Mexico.

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

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to Senate Bill 110, creates a refundable tax credit for local news organizations equal to 30 percent of the company's annual wages.

TECHNICAL ISSUES

TRD notes several technical issues:

> On pages 2 and 8, 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."
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> 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. The bill uses "employ" and "wages" but then includes in the definition of local news organization, in Sections 1(J)(1)(b), on page 4, lines 14-16 and 2(H)(1)(b), on page 9, lines 18-20, "pays at least one individual, either through employment or by contract…" Also, section 1(J)(4), on page 6, and section 2(H)(4), on page 12, 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. Tax & Rev recommends removing in Section 1(J)(1)(b), line 14 ", either" and on line 15 "or by contract."
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> Similarly, in Section 2(H)(1)(b), remove on line 18 ", either" and on line 19 "or by contract." [TRD] recommends that wages should be replaced with the word "compensation" in the following sections: Section 1(B) page 2, line 2; Section 1(J)(4), page 6, lines 22 and 24 and page 7, line 2; Section 2(B) page 7, line 19; and Section 2(H)(4), page 12, lines 1, 3, and 6.

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		

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