

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 2, 2025

Bill: HB-202

Sponsor: Representatives Joshua N. Hernandez, Andrea Reeb, Mark B. Murphy, Alan T. Martinez and Meredith A. Dixon

Short Title: Gun Storage Income Tax Credit

Description: This bill adds a new section to the Income Tax Act creating the gun storage income tax credit. This credit allows a taxpayer who purchases a secure gun storage on or after July 1, 2025, and prior to January 1, 2028, to apply for a one-time credit in an amount to equal the price paid for the gun storage. The credit cannot exceed \$750, and eligibility for the credit would be certified by the Department of Public Safety (DPS). The aggregate amount of credits that may be certified in any calendar year is \$1 million. A taxpayer must claim the credit in the taxable year in which the secure gun storage was purchased, and any portion of the credit that exceeds the taxpayer's tax liability will be refunded to the taxpayer.

Effective Date: Not specified; 90 days following adjournment (June 20, 2025). Applicable to taxable years beginning on or after January 1, 2025.

Taxation and Revenue Department Analyst: Pedro Clavijo

| Estimated Revenue Impact* | | | | | R or NR** | Fund(s) Affected |
|---------------------------|-----------|-----------|-----------|--------|-----------|------------------|
| FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | | |
| -- | (\$1,000) | (\$1,000) | (\$1,000) | -- | NR | General Fund |

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

Methodology for Estimated Revenue Impact: The Taxation and Revenue Department (Tax & Rev) used data from a RAND study about household firearm ownership to estimate the fiscal impact. The study shows that in 2016 around 40% of New Mexican households owned a firearm.¹ Tax & Rev identified 330,008 households with a firearm based on household estimates by the U.S. Census Bureau.² Assuming that each household spends the maximum credit amount of \$750 on secure gun storage to meet the technical specifications and requirements relating to safety and standards compliance and any additional information that DPS establishes, the sum of applications could be as high as \$247 million. Considering the bill imposes a cap of \$1,000,000 for the aggregate amount of the credits allowed in any calendar year, it can be expected that the number of applications exceeds substantially the number of approved taxpayers.

Policy Issues: Purchasing secure gun storage may ensure the safety and security of firearms and the people around them. Unauthorized access can be prevented by keeping firearms in a secure storage unit. Secure gun storage also provides high protection against theft and misuse of weapons, especially by children. Furthermore, storing firearms in a secure gun safe reduces the risk of accidental discharge.

While tax incentives may support particular industries or encourage specific social and economic behaviors, the proliferation of such incentives complicates the tax code. Adding more tax incentives: (1) creates special treatment and exceptions to the code, growing tax expenditures or narrowing the tax base,

¹ <https://www.rand.org/pubs/tools/TL354.html>

² <https://www.census.gov/quickfacts/fact/table/NM/PST045223>

with a negative impact on the General Fund; and (2) increases the burden of compliance on both taxpayers and Tax & Rev. Adding complexity and exceptions to the tax code does not comport generally with the best tax policy.

The credit has a defined end date to claim the tax credit and thus a sunset date. Tax & Rev supports sunset dates for policymakers to review the impact of tax expenditures before extending them.

Technical Issues: Section 1(I)(1) of the bill defines “firearm”. The New Mexico statutes contain multiple definitions of “firearm” in other acts, not all of which are consistent with the definition in this bill. For example, some definitions include the frame or receiver of a firearm in the definition. See, e.g., Section 40-17-2(C) NMSA 1978 (Extreme Firearm Protection Order Act); Section 32A-2-33(D) NMSA 1978 (child delinquency). Tax & Rev suggests adding frames and receivers to the definition in this bill.

As this tax credit is in the Income Tax Act but DPS is the certifying party, Tax & Rev recommends that the language “The department of public safety may promulgate rules governing the procedure for administering the provisions of this subsection” be added.

Other Issues: Tax & Rev recommends adding that DPS shall provide Tax & Rev certificates of eligibility issued electronically at regularly agreed-upon intervals.

Administrative & Compliance Impact: Tax & Rev will need to update forms, instructions, and publications and make information system changes. Tax & Rev’s Administrative Services Division (ASD) anticipates this bill will take approximately 40 hours split between two existing FTEs to be implemented for a cost of \$2,500. Tax & Rev’s Information Technology Division (ITD) estimates that implementing the bill will require approximately 680 hours and \$45,315 of staff workload costs. Tax & Rev’s Revenue Processing Division (RPD) will need the equivalent of a reduction of the forced vacancy rate of 1.0 FTE to properly process this new credit.

| Estimated Additional Operating Budget Impact* | | | | R or NR** | Fund(s) or Agency Affected |
|---|--------|--------|-------------------|-----------|---------------------------------------|
| FY2025 | FY2026 | FY2027 | 3 Year Total Cost | | |
| -- | \$2.5 | -- | \$2.5 | NR | Tax & Rev – ASD - Operating |
| -- | \$45.3 | -- | \$45.3 | NR | Tax & Rev – ITD - Staff Workload Cost |

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

Related Bills: Similar to HB-81 and HB-266, 2024 Regular Session