

LFC Requester:

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/4/2025 *Check all that apply:*
Bill Number: HB237 Original Correction
 Amendment Substitute

Sponsor: Tanya Mirabal Moya, Patricia A. Lundstrom, John Block **Agency Name and Code:** Economic Development Department
Short Title: GROSS RECEIPTS CREDIT FOR CERTAIN BUSINESSES **Number:** 41900
Person Writing: Daye Kwon **Phone:** 525-946-7291 **Email:** daye.kwon@edd.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 237 (HB237) establishes a gross receipts tax credit under the Gross Receipts and Compensating Tax Act. Taxpayers with gross receipts of no more than one million dollars (\$1,000,000) in the prior calendar year may claim a credit equal to 25 percent of their state gross receipts tax liabilities, with a maximum annual credit of \$20,000 per taxpayer.

If the credit exceeds the taxpayer's tax liability when claimed, the excess portion may be carried forward to succeeding taxable periods. However, taxpayers who claim another gross receipts tax credit in the same taxable period are not eligible for this credit.

Taxpayers must apply to the New Mexico Taxation and Revenue Department (TRD) to receive the credit and report the amount as required by TRD. The credit is included in the tax expenditure budget and applies to tax liabilities for taxable periods beginning on or after July 1, 2025, with an expiration date of July 1, 2030.

HB237 also modifies the calculation of municipal distributions in Section 7-1-6.4 NMSA 1978 by including the amount of gross receipts for which the credit is applied in the distribution formula. This ensures that municipalities continue receiving funds as if the credit had not been claimed, preventing a reduction in their revenue.

FISCAL IMPLICATIONS

SIGNIFICANT ISSUES

HB237 establishes a gross receipts tax credit for small businesses, reducing their tax burden. By increasing the net income of existing businesses and making New Mexico a more attractive place to start a business, the credit supports business growth and sustainability, contributing to the state's economic development. However, the bill may reduce state gross receipts tax revenue, and by restricting eligibility to businesses with gross receipts under one million dollars, it excludes mid-sized businesses that may also need support.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL
AMENDMENTS**