

LFC Requester:	Jennifer Faubion
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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: 2/10/2025 *Check all that apply:*
Bill Number: HB 325 Original Correction
 Amendment Substitute

Sponsor: Housing Construction Tax Credit
Short Title: Gail Armstrong, Mark Duncan, Mark B. Murphy, Rebecca Dow, Joshua N. Hernandez
Agency Name and Code: 992 – New Mexico Mortgage Finance Authority
Number: (Housing New Mexico | MFA)
Person Writing: Robyn Powell
Phone: 505-767-2271 **Email:** rpowell@housingnm.org

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
NA	NA	NA	NA

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
NA	NA	NA	NA	NA

(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	NA	NA	NA	NA	NA	NA

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: None
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

House Bill 325 proposes to create new tax deduction pertaining to the construction of new residential housing in New Mexico by:

- Allowing businesses to deduct gross receipts on labor costs incurred during the construction of new residential housing and during the sale of residential homes.
 - The limits for these deductions are as follows: \$125,000 from gross receipt for for-sale homes and up to \$75,000 for rental homes. The deductions are not eligible for renovations or remodeling of housing.
- Creating a “hold harmless” provision that will reimburse counties and municipalities for the loss of revenue from the new tax deductions. The deduction will be included in the new tax expenditure budget.

The effective date of these provisions is July 1, 2025.

FISCAL IMPLICATIONS

No fiscal impact to Housing New Mexico | MFA.

SIGNIFICANT ISSUES

- This bill allows businesses to deduct gross receipts on the labor for construction of new homes which may lead to an increase in housing development across the state.
- This bill allows businesses to deduct gross receipts on the labor for construction of new homes which may lead to reducing overall costs of newly constructed homes.
- The bill allows the deduction for any type of new residential construction, ranging from affordable to luxury homes.

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