

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 4, 2025

Bill: SB-111

Sponsor: Senator Peter Wirth

Short Title: Local News Printer Tax Credit

Description: This bill creates the local news printer income tax and corporate income tax credits for tax years prior to January 1, 2030. The income tax credit is for a taxpayer who is an owner of a local news printer that employs a qualified employee. The amount of the credit is equal to the wages paid to each qualified employee employed by a local news printer in the taxable year, not to exceed \$10,000 for a qualified employee working an average of 24 hours or more per week in a taxable year, and \$5,000 for a qualified employee working an average of less than 24 per week. The taxpayer shall apply for certification of eligibility for the tax credit from Tax & Rev on forms and in the manner prescribed by the department. Tax & Rev shall issue the certificate of eligibility. A taxpayer shall not be eligible to receive a tax credit for more than 100 qualified employees. That portion of tax credit that exceeds a taxpayer's income tax liability in the taxable year in which the credit is claimed shall be refunded to the taxpayer. A "local news printer" is defined as well as a "qualified employee" and what qualifies as "wages."

The corporate income tax credit is provided also for a taxpayer who is an owner of a local news printer that employs a qualified employee and is also allowed for the same credit amounts and the same requirements. The total annual aggregate amount of income tax and corporate income tax credits that may be certified in a calendar year shall not exceed \$1 million.

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: Sara Grubbs

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

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

Methodology for Estimated Revenue Impact: This bill provides a tax credit of up to \$10,000 per qualified employee for an owner of a local news printer with qualified employees. Tax & Rev estimated the number of qualified employees of local news printers in New Mexico using the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW).

Tax & Rev assumes that newspaper publishers and periodical publishers would qualify for this credit. By averaging the number of jobs in 2022 and 2023, Tax & Rev estimates that there are 752 employees employed by 119 establishments resulting in 6.3 employees per New Mexico establishment. This bill stipulates that the local news printer must employ at least five qualified employees. In the United States, 35% of business establishments have 5 or more employees¹. Tax & Rev assume the 752 employees would qualify for this credit. Tax & Rev then calculated the number of establishments with five or more employees and multiplied this by 6.3 employees per establishment leaving 262 employees and approximately 42 employers.

¹ U. S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), 2019-2023 average

If all employees qualified for the \$5,000 tax credit, the estimated revenue impact is expected to be \$1,310,000 which exceeds the aggregate cap of \$1,000,000.

Policy Issues: Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 25 percent of the state’s recurring general fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of taxable income and ties to other statutes in the federal tax code. This is referred to as “conformity” to the federal tax code. PIT is an important tax policy tool that has the potential to further both horizontal equity, by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers’ ability to pay. This credit erodes horizontal equity by basing the credit on a industry and profession, thus taxpayers in similar economic circumstances are no longer treated equally.

Corporate income tax (CIT) is a volatile source of revenue for many states. Providing additional corporate tax incentives increases volatility. Similar to PIT, for corporate tax filers, a tax credit can erode horizontal equity by basing this credit on a industry or profession, thus corporate taxpayers in similar industries are no longer treated equally.

While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of such incentives complicate the tax code. Introducing more tax incentives has two main consequences: (1) it creates special treatment and exceptions within the code, leading to increased tax expenditures and a narrower tax base, which negatively impacts the general fund; and (2) it imposes a heavier compliance burden on both taxpayers and Tax & Rev. Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy.

This credit may be administratively burdensome to both the taxpayer and the department. For a local news organization that engages in print publication, the organization must publish at least one print publication per month over the previous 36 months. For a local news organization that engages in digital-only publication, the organization must publish at least five originally produced stories per week over the previous 36 months, and at least 30% of its content must be dedicated to state or local news. The local news printer must have been in business for at least five years and employs at least five qualified employees

This credit does have a sunset date, but not a delayed repeal. Tax & Rev supports sunset dates for policymakers to review the impact of a deduction or other tax incentive before extending it if a sufficient timeframe is allotted for tax incentives to be measured. Tax & Rev supports delayed repeals as they maintain accuracy and brevity in the tax code by removing statute language that expires.

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. Tax & Rev 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. 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” Similarly, in Section 2(H)(1)(b), remove on line 18 “, either” and on line 19 “or by contract”.

Tax & Rev 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 Issues: The total annual aggregate amount for both the income tax in subsection C (page 2 lines 11 -23) 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 19 between “year.” and “The total” In this case, it would be Subsection “D” starting with “The total annual aggregate amount . . . concluding with line 23 “the order received.”

The same is true for Corporate Income Tax Subsection C (page 8, lines 3-15). Tax & Rev suggests adding a new subsection at page 8, line 10 between “year.” and “The total” as Subsection “D” starting with “The total annual aggregate amount . . . concluding with line 15 “the order received.”

The bill outlines that only one credit shall be certified for each qualified employee but it is unclear how it would be decided which local news printer would be able to claim a qualified employee that was employed with multiple printers over the course of a year. Each qualified employee only needs to work 25% of the year to be claimed. Tax & Rev 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)(3)(c) on page 6, lines 19-21 and 2(H)(3)(c), on page 11, lines 23-25.

Administrative & Compliance Impact: Tax and Rev will update forms, instructions and publications and make information system changes. Staff training to administer the credit will occur. This implementation will be included in the annual tax year changes. Depending on the number of entities that request certification of this credit, Tax & Rev’s Audit and Compliance Division (ACD) will need 1.0 FTE at a pay band 65 to properly review each certification request.

Tax & Rev’s Administrative Services Division (ASD) will test credit sourcing and perform systems testing. It is anticipated this work will take approximately 40 hours split between 2.0 FTE of a pay band 70 and a pay band 80 at a cost of approximately \$2,500. Pay band 70 hours are estimated at time and ½ due to extra hours worked required for implementation.

Implementing this bill will have a moderate impact on Tax & Rev’s Information Technology Division (ITD), approximately 680 hours or about 4 months and an estimated staff workload cost of \$45,315. The implementation requires new business credit certificate types for the local news printer income tax credit local news printer corporate income tax credit added through GenTax, the tax system of record.

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
--	\$85.6	\$85.6	\$171.2	R	Tax & Rev – ACD - FTE

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

Related Bills: Similar to SB-110 (2025 regular session)