

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 21, 2025

Bill: SB-264

Sponsor: Senator George K. Muñoz

Short Title: Administrative Fee Changes

Description: This bill amends several acts to change fees related to many different areas of law, including game and fish fees, Department of Environment fees, and extending the date of the spay and neuter program fee. As related to the Taxation and Revenue Department (Tax & Rev), Section 52-5-19 NMSA 1978 is amended to incrementally increase the workers’ compensation fee. The current \$2.30 per employee fee will increase to \$2.55 for fiscal years 2026 through 2028, to \$2.68 for fiscal years 2029 through 2033, and to \$2.80 for fiscal years 2034 and beyond. Once fully implemented, the bill provides a 21.7% increase.

Effective Date: July 1, 2025

Taxation and Revenue Department Analyst: Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	\$1,610	\$1,610	\$1,620	\$2,480	R	Section 3 – Workers’ Compensation Fees – Workers’ Compensation Administration Fund
--	\$80	\$80	\$80	\$120	R	Section 3 – Workers’ Compensation Fees – Tax & Rev 5%

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

Methodology for Estimated Revenue Impact: [Section 3]: This proposal increases fees across several areas of law. The Tax & Rev analysis focuses on the fees in the Workers’ Compensation Act, which Tax & Rev collects and distributes. Workers’ compensation is generally required for employers with three or more workers and both the employer and the employee pay into the fund through fees. Tax & Rev annualized workers’ compensation fees from the last four fiscal years (FY2021-FY2024) to calculate an average number of employees covered under the act for each fiscal year. Tax & Rev calculated the growth rate over those years to compare to the University of New Mexico’s Bureau of Business and Economic Research (BBER) January 2025 forecast’s historical total employment growth rates. On average, the growth rates are similar. Tax & Rev applied BBER’s January 2025 forecasted employment growth to the annualized employees covered under worker’s compensation and then applied the new fees pursuant to the proposal.

Policy Issues: These flat fees have not been adjusted since 2004. In that time, inflation rose by roughly 68%. The proposed 21.7% increase to the fee appears reasonable to adjust for inflation.

Technical Issues: [Section 1] Tax & Rev suggests for clarity that in the proposed subsection C., on page 5, line 3, that the consumer price index to be used in the calculated increases to the future fees be defined. For a definition used in the tax code, see Section 7-2-18.34 J (1) NMSA 1978.

Other Issues: HB218 is Tax & Rev’s main tax code cleanup bill proposed this legislative session. In addition to minor clean up in Section 52-5-19, HB218 proposes to align the due date for the workers’ compensation fee with other tax programs by making the fee due on or before the 25th day of the month following the end of the calendar quarter for which they are due. It is recommended that this bill make the same changes to Section 52-5-19 as does HB218.

Administrative & Compliance Impact: Tax and Rev will update forms, instructions and publications and make information system changes.

The implementation of this bill will result in a moderate impact on Tax & Rev’s Information Technology Division (ITD), requiring approximately 440 hours or about 2 months and incurring staff workload costs of approximately \$29,322.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year Total Cost		
\$29.3	--	--	\$29.3	NR	ITD – Staff workload costs

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