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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**57th Legislature, 2nd Session, 2026**

<b>Bill Number</b>	<u>SB118</u>	<b>Sponsor</b>	<u>Pope</u>
<b>Tracking Number</b>	<u>.232993.1</u>	<b>Committee Referrals</b>	<u>SCC/STBTC/SFC</u>
<b>Short Title</b>	<u>Back-to-School Tax Holiday Price Limits</u>		
<b>Analyst</b>	<u>Estupiñan</u>	<b>Original Date</b>	<u>1/28/2026</u>
		<b>Last Updated</b>	<u></u>

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**BILL SUMMARY**

Synopsis of Bill

Senate Bill 118 (SB118) increases the maximum deductible sales price in the back-to-school gross receipts tax (GRT) deduction for clothing and footwear from \$100 to \$150, for computers from \$1,000 to \$1,500, and for related computer accessories from \$500 to \$750.

The effective date of SB118 is July 1, 2026.

**FISCAL IMPACT**

SB118 does not contain an appropriation.

The Legislative Finance Committee (LFC) notes the anticipated fiscal impact on the general fund of SB118 may be approximately \$230 thousand in FY27, because of a potential reduction in anticipated GRT revenues as a result of the bill.

**SUBSTANTIVE ISSUES**

The back-to-school GRT deduction was created in 2005 with the intent of reducing the cost of school supplies and school clothing. Since the GRT deduction's creation in 2005, the Legislature has not modified the maximum deductible sales price allowed for by the deduction in Section 7-9-95 NMSA 1978.

State statute allows for the deduction to be used beginning at 12:01 a.m. on the last Friday in July and ending at midnight on the following Sunday. SB118 would not modify the date this deduction would be effective.

According to an annual [report](#) from the Taxation and Revenue Department (TRD), 271 taxpayers claimed the back-to-school tax-free weekend GRT deduction in the 2024 tax year, with total costs to the general fund of \$461 thousand.

## **ADMINISTRATIVE IMPLICATIONS**

TRD may incur administrative costs to implement SB118, including updating gross receipts tax forms, publications, filer instructions, and other materials.

## **SOURCES OF INFORMATION**

- LFC Files
- Taxation and Revenue Department (TRD) Files

**DE/mam/mca/jkh**