

HOUSE BILL 265

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

## INTRODUCED BY

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AN ACT

RELATING TO PUBLIC FINANCE; CREATING THE TAXPAYER DIVIDEND  
INCOME TAX REBATE FUND; PROVIDING FOR INCOME TAX REBATES;  
CHANGING A DISTRIBUTION OF FEDERAL MINERAL LEASING FUNDS TO THE  
EARLY CHILDHOOD EDUCATION AND CARE FUND TO THE TAXPAYER  
DIVIDEND INCOME TAX REBATE FUND; AMENDING, REPEALING AND  
ENACTING SECTIONS OF THE NMSA 1978; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 6-4-27 NMSA 1978 (being Laws 2020, Chapter 3, Section 4, as amended) is amended to read:

"6-4-27. EXCESS EXTRACTION TAXES SUSPENSE FUND--TRANSFER  
OF EXCESS OIL AND GAS EMERGENCY SCHOOL TAX REVENUE--TAX  
STABILIZATION RESERVE-- [EARLY CHILDHOOD EDUCATION AND CARE]  
TAXPAYER DIVIDEND INCOME TAX REBATE FUND [BEHAVIORAL HEALTH  
TRUST FUND--SEVERANCE TAX PERMANENT FUND]--

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A. The "excess extraction taxes suspense fund" is created as a nonreverting fund in the state treasury. Money in the fund shall only be used to make transfers by the department of finance and administration as required by this section.

B. At the end of each fiscal year, the department of finance and administration shall calculate and transfer the balance of the fund attributable to that fiscal year as follows:

(1) [if in the current fiscal year the total net receipts attributable to the tax imposed pursuant to Section 7-31-4 NMSA 1978 and distributed pursuant to Section 7-1-6.20 NMSA 1978 exceed the annual average amount, the department shall distribute the excess amount above the annual average amount as follows: (a)] to the tax stabilization reserve, the amount necessary to bring the balance of state reserves to a level equal to twenty-five percent of the aggregate recurring appropriations for that fiscal year from the general fund, as determined by the department; provided that, if the balance in the excess extraction taxes suspense fund is not sufficient to meet that level, the entire balance shall be transferred to the tax stabilization reserve; and

[b] the balance of the excess amount above the annual average amount, if any, after the transfer is made pursuant to Subparagraph (a) of this paragraph shall be transferred as follows: 1) for fiscal years 2026 through 2028,

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fifty percent to the early childhood education and care fund and fifty percent to the behavioral health trust fund; provided that if, as of the end of one of those fiscal years, the balance of the early childhood education and care fund is less than the balance of that fund as of the end of fiscal year 2025, the transfer to the behavioral health trust fund made pursuant to this item shall be decreased by an amount equal to one-half of the difference between the balance of the early childhood education and care fund as of the end of fiscal year 2025 and the balance of that fund as of the end of that fiscal year; and 2) for fiscal year 2029 and each fiscal year thereafter, one hundred percent to the early childhood education and care fund; and

(2) the remaining balance of the fund, if any, shall be distributed to the severance tax permanent fund] (2) to the taxpayer dividend income tax rebate fund, the balance remaining in the excess extraction taxes suspense fund, if any, after the transfer is made pursuant to Paragraph (1) of this subsection.

C. As used in this section,

[~~(1) "annual average amount" means the total net receipts attributable to the tax imposed pursuant to Section 7-31-4 NMSA 1978 and distributed pursuant to Section 7-1-6.20 NMSA 1978 in the immediately preceding five fiscal years, divided by five; and~~

(2)] "state reserves" means the general fund balances, as determined by the department of finance and administration, including all authorized revenues and transfers to the general fund and balances in the appropriation contingency fund, the general fund operating reserve, the state-support reserve fund and the tax stabilization reserve."

**SECTION 2.** A new section of the Income Tax Act is enacted to read:

" [NEW MATERIAL] TAXPAYER DIVIDEND INCOME TAX REBATE FUND--  
CREATED--INCOME TAX REBATES.--

A. The "taxpayer dividend income tax rebate fund" is created as a nonreverting fund in the state treasury. The fund shall consist of distributions, appropriations, gifts, grants and donations. The fund shall be administered by the department, and money in the fund is appropriated to the department to provide income tax rebates as provided by this section. Disbursements from the fund shall be made by warrant of the secretary of finance and administration pursuant to vouchers signed by the secretary of taxation and revenue or the secretary's designee.

B. A resident who files a New Mexico income tax return and who is not a dependent of another individual shall be eligible for a tax rebate pursuant to this section. The resident shall receive a rebate in an amount equal to the amount of money in the taxpayer dividend income tax rebate fund

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1 at the end of the previous calendar year divided by the total  
2 number of residents who filed an income tax return for that  
3 year. A rebate shall not be allowed for a return filed after  
4 May 31. Rebates shall be provided by the department as soon as  
5 practicable.

6 C. The rebates provided by this section may be  
7 deducted from the taxpayer's New Mexico income tax liability.  
8 If the amount of rebate exceeds the taxpayer's income tax  
9 liability, the excess shall be refunded to the taxpayer.

10 D. The department may require a taxpayer to claim a  
11 rebate provided by this section on forms and in a manner  
12 required by the department.

13 E. An annual report shall be submitted no later  
14 than October 1 each year to the legislative finance committee,  
15 the revenue stabilization and tax policy committee and any  
16 other appropriate interim committees on the cost of the rebates  
17 provided pursuant to this section and any other information  
18 necessary to evaluate the rebates."

19 SECTION 3. Section 22-8-34 NMSA 1978 (being Laws 1967,  
20 Chapter 16, Section 90, as amended) is amended to read:

21 "22-8-34. FEDERAL MINERAL LEASING FUNDS.--

22 A. Money received by the state pursuant to the  
23 provisions of the federal Mineral Leasing Act shall be  
24 distributed to the public school fund, except as follows:

25 (1) an annual appropriation to the

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1 instructional material fund;

2 (2) an annual appropriation to the board of  
3 regents of the New Mexico institute of mining and technology  
4 for the bureau of geology and mineral resources;

5 (3) the distribution made pursuant to  
6 Subsection B of this section; and

7 (4) the distribution made ~~pursuant to Section~~  
8 ~~3 of this 2020 act~~ pursuant to Subsection C of this section.

9 B. Money received by the state as its share of a  
10 prepayment of royalties pursuant to 30 U.S.C. 1726(b), as that  
11 section may be amended or renumbered, shall be distributed as  
12 follows:

13 (1) a portion of the receipts, estimated by  
14 the taxation and revenue department to be equal to the amount  
15 that the state would have received as its share of royalties in  
16 the same fiscal year if the prepayment had not been made, shall  
17 be distributed to the public school fund; and

18 (2) the remainder shall be distributed to the  
19 common school permanent fund.

20 C. If, by June 30 of each fiscal year, the net  
21 receipts for that fiscal year of the money received by the  
22 state pursuant to the federal Mineral Leasing Act exceed the  
23 annual average amount, the excess shall be distributed to the  
24 taxpayer dividend income tax rebate fund. If there is an  
25 excess amount, the distribution shall be made as soon as

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practicable. If there is not an excess amount, no distribution shall be made to the fund. The department of finance and administration shall make the calculation to determine if an excess amount shall be distributed. As used in this subsection, "annual average amount" means the total net receipts attributable to money received by the state pursuant to the federal Mineral Leasing Act in the immediately preceding five fiscal years, divided by five."

**SECTION 4. REPEAL.--Section 9-29A-3 NMSA 1978 (being Laws 2020, Chapter 3, Section 3, as amended) is repealed.**

**SECTION 5. APPLICABILITY.--**The provisions of Section 2 of this act apply to taxable years beginning on or after January 1, 2026.

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