FISCAL IMPACT REPORT

BILL NUMBER: House Bill 145

SHORT TITLE: High-Wage Job Tax Credit Dates

SPONSOR: Hernandez, J/Dixon

LAST UPDATE: ______ **ORIGINAL DATE:** 1/30/26 **ANALYST:** Francis

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Multiple taxes		($5,100.0)	($5,400.0)	($5,600.0)	($5,925.0)	Recurring	General Fund
GRT and compensating tax		($3,200.0)	($3,400.0)	($3,600.0)	($3,700.0)	Recurring	Local governments
Compensating tax		($1,020.0)	($1,080.0)	($1,140.0)	($1,185.0)	Recurring	Small cities Assistance Fund
		($680.0)	($720.0)	($760.0)	($790.0)	Recurring	Small Counties Assistance Fund

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
Taxation and Revenue Department
Economic Development Department
State Ethics Commission

SUMMARY

Synopsis of House Bill 145

House Bill 145 (HB 145) extends the High-Wage Job Tax Credit (HWJTC), allowing new jobs created before July 1, 2036, to be eligible for the credit. Under current law, jobs created after July 1, 2026, would not be eligible.

HB145 applies to taxable years beginning after January 1, 2026.

FISCAL IMPLICATIONS

Under current law, companies can only receive credits for eligible jobs created before July 1, 2026. HB145 extends that date to July 1, 2036. Based on past claims data, the Tax and Revenue Department (TRD) estimates extending the credit will reduce revenue by $10 million in FY 2027 growing each year by the forecast for wages and salary growth.

The credit can be applied to withholding, gross receipts tax (GRT) and compensating taxes, and the fiscal estimate of $10 million is divided between these taxes and then distributed to the appropriate level of government. Distributions of compensating tax collections to the small cities assistance fund and small counties assistance fund are 15% and 10% respectively.

TRD notes that the fiscal cost may be higher "given the recent announcements of multiple large business projects locating in New Mexico."

This bill expands a tax expenditure. Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

SIGNIFICANT ISSUES

The HWJTC has been in existence since 2004 and has been extended twice. According to the 2025 New Mexico Tax Expenditure Report, there were 86 claims in FY 2025 for $9.2 million. In June 2025, LFC reviewed the credit and reported that, based on FY 2024 data, there was a 47% return on investment (NM economy grows by $0.47 for every $1 spent) and a -83% return in revenue (NM only recoups $0.17 per $1.00 spent). However, the report also indicated that it met its purpose by creating 135 high wage jobs.[1]

The Economic Development Department (EDD) reports that because the credit is refundable, and that it "is very attractive to both existing New Mexico companies creating high-wage jobs and those locating and considering location to the State." EDD cites it as "one of the most valuable tools in the Economic Development Department's toolbox for business expansion and attraction."

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with the bill's requirement to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the credit and other information to determine whether the credit is meeting its purpose.

OTHER SUBSTANTIVE ISSUES

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[1] Tax Expenditure Assessment - HWJTC.pdf

The State Ethics Commission (SEC) reports that the credit, because it is refundable, could trigger anti donation concerns:

> The High-Wage Jobs Tax Credit Act NMSA 1978, Sections 7-9G-1 (2000, as amended through 2019) provides for the tax credit to be refundable. See §7-9G-1(M). Because the tax credit is refundable, it triggers scrutiny under the Anti-Donation Clause, Article IX, Section 14 of the New Mexico Constitution. How the Anti-Donation Clause applies to a tax credit depends on the credit's specific attributes, including refundability. The High-Wage Jobs Tax Credit is refundable but not transferable.

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **Accountability**: Preferences should be easy to monitor and evaluate.

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✗	
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	?	
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	 ✓ ✓	
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure. Fulfills stated purpose Passes "but for" test	 ✗ ✗	
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	✗	
Key: ✓ Met ✗ Not Met ? Unclear		

NF/ct/dw/sgs