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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 232

SHORT TITLE: Gun Storage Income Tax Credit

SPONSOR: Pettigrew/Mason/Block

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

REVENUE*

(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
PIT	Choose an item.	(\$500.0)	(\$500.0)	(\$500.0)	(\$500.0)	Recurring	General Fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	Choose an item.	\$49.7	Choose an item.	\$49.7	Nonrecurring	General Fund
DPS		\$128.7	\$128.7	\$257.4	Recurring	General Fund
Total	Choose an item.	\$178.4	\$128.7	\$307.1	Choose an item.	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 25, 81, and Senate Bill 89

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Taxation and Revenue Department

Department of Public Safety

SUMMARY

Synopsis of House Bill 232

House Bill 232 (HB 232) creates a personal income tax credit up to \$1,000 for the purchase of secure gun storage certified by the Department of Public Safety (DPS). The credit is “one-time” and is refundable, meaning any amount in excess of the taxpayer’s liability is refunded to the

taxpayer. The credit is available to partnerships as well as individuals as long as the total credit to all partners does not exceed \$1,000.

“Secure gun storage” means a new safe, gun safe, gun case, lock box or other device to be or can be used to store a firearm and that is designed to be unlocked only by means of a key, a combination or other similar means.

DPS will establish the manner in which taxpayers can certify their purchases. The application for the credit must include proof of purchase, evidence the storage meets technical specifications and requirements related to safety, and any additional information DPS deems necessary. Only \$500 thousand of aggregate credits are allowed annually and awarded in the order received.

The credit will be separately reported on the return and TRD will report annually to the Revenue Stabilization and Tax Policy Committee on the number of taxpayers, amount of credit approved and any other information necessary to evaluate the credit.

The credit applies to taxable years beginning after January 1, 2026 and before January 1, 2029.

FISCAL IMPLICATIONS

As the credit is refundable, it is assumed the max aggregate amount will be reached each year. Gun safes that appear to meet the specifications intended cost from \$100 up to over \$1,000 depending on the size, technology, and other attributes. Because the credit is refundable, consumers have no incentive to purchase low cost devices.

TRD notes absent the annual cap, HB232 could reduce personal income tax revenue as much as \$330 million:

The Taxation and Revenue Department (Tax & Rev) used data from a RAND study about household firearm ownership to estimate the fiscal impact. The study reported that in 2016, around 40 percent of New Mexican households owned a firearm.¹ Tax & Rev estimated 330,008 households with a firearm based on the number of households reported by the U.S. Census Bureau multiplied by the 40 percent.² Assuming each household spends the maximum credit amount of \$1,000 on qualifying secure gun storage, the credit claims could be approximately \$330 million. Considering the bill imposes a statewide cap of \$500 thousand, it can be expected that the number of applications will exceed the number of approved taxpayers.

This bill creates 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

HB232 limits the credit to \$500 thousand annually which mitigates the risk of significant fiscal

costs. Although the credit is intended for securing firearms, the types of equipment – lockable safes and cabinets—could be attractive for many uses other than firearms and so even non gun owners may take advantage of it. For example, a taxpayer could purchase a gun safe for jewelry or other valuables and receive full reimbursement for the purchase.

If all credits were for \$500 thousand, only 1,000 credits would be issued and TRD notes there are as many as 330,008 gun-owning households in NM. Over the time period of the credit, assuming all credits are for proper firearm storage, only 3,000 homes would be protected.

Other states that have considered or enacted similar credits include Virginia and Maryland. Massachusetts and New Jersey have sales tax exemptions for gun storage products.

- Virginia’s Firearm Safety Device Credit is a tax credit up to \$300 (A married couple can each claim a credit on separate purchases). There is a \$5 million aggregate cap on the credit. The credit is nonrefundable but can be carried forward.¹ Virginia’s credit requires the taxpayer to provide details about the purchase including device manufacturer and brand name, model number, and name of commercial retailer.
- A Maryland bill in 2025 proposed a similar credit for up to \$200 per device but the bill did not pass.²

DPS reports concern about certifying a device that “subsequently proves defective – resulting in unauthorized access to a firearm and injury or death—DPS may face claims under the New Mexico Tort Claims Act, §§41-4-1 et seq. NMSA 1978.”

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.

ADMINISTRATIVE IMPLICATIONS

For updating forms, instructions, publications, and making system changes, TRD estimates needing \$49.7 thousand in additional budget. DPS would require an additional \$128.7 thousand annually from FY 2027 to FY 2029 for 1 FTE and systems costs.

TRD recommends a more streamlined procedure for processing applications and have the taxpayer apply to DPS and DPS to transmit the certification to TRD:

Tax & Rev recommends that DPS provide Tax & Rev the certificates of eligibility issued electronically at regularly agreed-upon intervals. Tax & Rev suggests the following be added to subsection B, on page 2, line 20: “The department of public safety shall provide the department with all certificates of eligibility issued pursuant to this section in an electronic format at regularly agreed-upon intervals, including taxpayer identifying information, purchase date, credit amount and any additional information required by the department to administer the credit.”

¹ [Virginia Firearm Safety Device Credit](#)

² [Maryland General Assembly - Legislation - HB0250](#)

TRD also recommends language for DPS as the certifying agency to issue rules and guidance about the certification process. DPS notes that HB232 does not give TRD the direction to share information about tax credits and that will make it difficult for DPS to monitor the \$500 thousand aggregate cap and cause confusion among taxpayers if DPS approves a credit that ends up being above the cap.

DPS maintains TRD should administer the credit as it is the “agency with statutory authority, infrastructure, and expertise to administer refundable tax credits and manage annual credit caps.”

DPS warns there is a disconnect between the agencies ability to issue certificates and knowledge about the aggregate cap:

- DPS does not have the infrastructure, systems, or expertise to administer tax credits or manage refundable credit caps.
- The bill requires DPS to issue certificates but does not authorize TRD to share taxpayer level or aggregate redemption data.
- Without this information, DPS cannot:
 - Determine whether certificates were redeemed or denied to identify duplicate or fraudulent submissions
 - Track utilization of the \$500 thousand annual cap to provide accurate program reporting to the Legislature
- This creates a structural accountability gap between certificate issuance (DPS) and credit redemption (TRD)

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 25 (HB25) prohibits adults who were subject to a juvenile disposition involving the use of a firearm from receiving, transporting, or possessing a firearm or destructive device.

House Bill 81 (HB81) allows permit-less possession of loaded firearms, concealed or not.

Senate Bill 89 (SB89) creates a GRT holiday for hunting and fishing supplies including firearms.

TECHNICAL ISSUES

TRD recommends the definition of “firearm” be made consistent with other statutes and with DPS definitions. DPS concurs:

Section 1(I)(1) defines “firearm” as “a weapon that will or is designed to or may readily be converted to expel a projectile by the action of an explosive.” This definition omits frames and receivers, which are included in other NM statutory definitions. See §40-17-2(C) NMSA 1978 (Extreme Firearm Protection Order Act); §32A-2-33(D) NMSA 1978 (child delinquency).

OTHER SUBSTANTIVE ISSUES

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.	x	
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	x x x	
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	As a separately reported credit, it will be included
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	✓ ✓	Sunset date and reporting requirement
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	x x	
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	x	
Key: ✓ Met x Not Met ? Unclear		