A History of Tax Packages in New Mexico

1966 – 2025

Presented by Pam Stokes, Senior Staff Attorney, New Mexico Legislative Council Service

Disclaimer

I work for the Legislative Council Service. I am here to provide technical information on tax-related legislation. I do not appear in support of or opposition to any legislation considered by the legislature or any individual legislator.

Source Material

- The Taxation section of the Highlights.
  - The Highlights is a document that has been published every year by the Legislative Council Service since 1966 to "assist each legislator and [the legislator's] constituents in appraising the work of the session." Foreward, 1969 Highlights.
- The Highlights also include introductions that are useful in giving a sense of what was happening in the state or even the world at the time a legislative session took place, such as:
  - the state pen riots that occurred in the middle of the 1980 session;
  - the Gulf War that began a few days after the 1991 session convened;
  - the COVID pandemic that had just started making the news during the 2020 session and was a major subject of legislation and debate for several regular and special sessions thereafter; and
  - periodic economic booms ("an embarrassment of riches", 1976) and busts ("a financial crisis the likes of which had not been seen since the Great Depression", 2009).
- Also certain fiscal impact reports published by the Legislative Finance Committee and certain session laws.

What is a “tax package”?

- Since at least 1966, a bill described as a "tax package" has served three primary purposes:
  - To provide tax relief in times of budget surplus or particularly difficult economic times;
  - To raise revenue to close revenue gaps or pay for legislative or executive priorities; or
  - For tax reform, which is not necessarily intended to provide tax relief or raise revenue, but to modernize or make easier the compliance or administration of tax laws.

What is a "tax package"? (cont'd)

- A tax package has been used to describe an omnibus bill comprised of multiple related or unrelated proposals or bills.
  - HB547 (2023) included 26 individual bills and would have provided $1.1 billion in tax relief if it hadn't been partially vetoed.
- It has also been used to describe a package of bills that were passed individually, or even just a single proposal.
  - The 1969 tax package included 24 separate bills to implement recommendations from the Franklin Jones study.
  - SFC/SB24 (2008 2nd S.S.) only included the 2007 income tax rebates, at a one-time cost of $87.6 million, but was still called a "moderate rebate package".
- And regardless of whether a tax package was introduced and passed or not, the legislature almost always passes other tax-related bills. At times, the cost of a bill that was not a tax package added up to more in tax relief than some omnibus bills.
  - For example, HTRC/HB167 and SB167 (2003) that reduced income tax rates and increased the capital gains deduction was estimated to cost $325.1 million for FY2007.

The Tax Packages

and other significant tax-related bills enacted in between tax package years

1966 Package: Tax Reform in 12 bills

- “The purpose of the **twelve bills** of this package was to rework what had become rather unwieldy tax law.”
- One of the two primary bills in the package, **HB28**, was to replace the Emergency School Tax Act and the Compensating Tax Act with a new Gross Receipts and Compensating Tax Act.
  - “Unlike the old two laws where tax liability was specifically set forth for each separate category of occupation, all occupations and activities are assumed to be liable for the 3% tax unless specifically exempted.”
- In the second primary bill, **HB29**, “the tax on the occupation of severing natural resources is removed from the law and is now embodied in a new Resources Excise Tax Act… which replaces the old severance tax act.”
- Fun fact from the Foreward of the 1966 Highlights: “In addition to being the first regular even-year session since 1912, it was the first session in which it was permissible to override a governor's veto of the preceding session.”

In-between year: 1968

- "The legislature convened under the darkening shadows of a potential financial deficit.... Caution had to be exercised in developing new tax revenues. The economy of the state could be injured by indiscriminate use of the taxing power. Prudence dictated there should not be a major rate increase either in the gross receipts tax or the income tax without careful study."
- "The legislature directed that a study be made of New Mexico's tax system and that the tax system be restructured so that all subsequent tax increases would be equitably distributed among the citizens of the state." (From the 1969 Highlights.)
- Officially, this study is called the "1968 Tax Study", but it is better known as the Franklin Jones study.

1969 Package: Tax Reform in 24 bills

- The outcome of the Franklin Jones study was a **24-bill package** introduced in the 1969 session that included not just GRT deductions to address pyramiding issues that are often discussed, but the package also:
  - expanded the income tax (PIT) from 4 to 16 brackets, with rates of higher brackets increased to “make for a more nearly proportional system of taxation” (Frankin Jones study, Volume I);
  - increased the corporate income tax (CIT) rate from 3% to 5%, “to bring [NM] into line with those of neighboring states”;
  - increased the gross receipt tax (GRT) and compensating tax rates from 3% to 4%, which was offset by repeal of a municipal 1% “sales” tax;
    - The revenue munis lost from the repeal of this sales tax was replaced by a 1% distribution of the state GRT;
  - increased the motor vehicle excise tax (MVET) rate from 1.5% to 2% (FJ recommended 4% to be equal with GRT).

From Part 1, Volume I of the Franklin Jones study, “ORIGIN AND CONTEXT OF THE TAX STUDY”:

“An effective system of tax law can only be based upon broad and carefully reasoned principles. The importance of this point is demonstrated whenever a principle is translated into a specific law. Some individuals or groups will feel themselves disadvantaged by the law. They will protest, and it often seems reasonable to make exceptions for what seem worthy and isolated cases.

If the principle is thus breached, however, the door is opened for additional protests, each with more or less plausible merit in its own right. The tax laws become riddled with exceptions, tax administration drags under the weight of compromise, and pressures will predictably continue for further ad hoc changes in the law.”

In-between years: 1970; 1972

- 1970: **HB4** exempts nonprofit organizations from GRT.
- 1972: “**House Bill 3**… embodies a new concept of taxation unusual for New Mexico. Its purpose is to equalize the impact of regressive state and local taxes upon certain low income groups.”
  - This is now known as the low-income comprehensive tax rebate, aka LICTR.

1973 Package: (Property) Tax Reform in a “lengthy and complex bill”

- “A complete revision of the existing property tax laws of the state was accomplished in the passage of **House Bill 115**…. The lengthy and complex bill was the result of the efforts of the joint-interim legislative tax study committee during the summer and fall of 1972.”
- The bill “was not developed or designed to give tax relief nor to cure all ‘inequities’ in the property taxation system. It is a reform measure within the more limited context of legal and administrative reform.”
- “Its main purpose is to revise, update, clarify and remove inconsistencies in the present property tax laws. The real thrust of the code is to give to those involved in the administration of the much maligned property tax a workable statute.”

In-between years: 1975; 1977; 1978; 1979

- 1975:
  - **HB461**:
    - a PIT credit to compensate for the GRT passed on to purchasers on certain medical and dental expenses is enacted.
  - **SJR2**: adds the severance tax permanent fund to the NM constitution (adopted November 2, 1976).
- 1977:
  - **HTRC/SFC/HTRC/HB88 et al.**: a taxpayer could take one of two 2-year temporary refundable PIT credits, whichever was greater:
    - a $30 credit for state and local taxes passed on to purchasers of food, heat and light; or
    - a 30% decrease in PIT liability.
  - **HTRC/HB231 et al.**: a PIT credit for property tax due that exceeds a low-income, taxpayer's age 65+ maximum property tax liability.
  - **HTRC/HB368**: LICTR increased 25%.
- 1978:
  - **HTRC/HB178**: significant reduction in PIT;
  - **HB143**: LICTR increased 43.8%; and
  - **HTRC/SB187 & HB160**: GRT and compensating tax reduced from 4% to 3¾%.
- 1979:
  - **HTRC/HB55**: the 1977 temporary PIT credit for GRT passed on to purchasers of food is made permanent.
  - **HTRC/HB127**: yield control is enacted to "limit property tax revenue production.... The measure would force [property] tax rates to be lowered when the tax base goes up."

1981 Package: Tax Relief in a “Big Mac”

- 2 separate bills made up what was later dubbed the “Big Mac”.
- **HTRC/HB3 et al.** provided tax relief in the GRT and compensating taxes and PIT. **SFl/SB488** included property tax rate reductions and a new corporate income tax rate structure. In the two bills:
  - the GRT was reduced from 3.75% to 3.5%;
  - the 1% GRT distribution to cities was increased to 1.35%;
  - PIT was reduced by 1/3rd;
  - certain PIT rebates were created or expanded:
    - created for persons age 65 or older;
    - LICTR expanded; and
    - food and medical tax rebates increased;
  - the flat CIT rate was changed to variable rates over 3 brackets (flat 5% rate to 4%, 5%, 6% based on income);
  - the municipal occupancy tax was repealed and up to a .75% municipal GRT could be imposed, subject to a negative referendum;
  - two different classes of property were established for property tax purposes: residential and nonresidential; and
  - the state gave away its 11.275 property tax mills and the 8.925 public school rate was reduced to .5.

1983 Package: Revenue Raiser in “one measure”

- “The 1983 regular legislative session can best be summed up by the word ‘money’, or the lack thereof. Never in the recent memory of the Bull Ring Jockeys had the state been faced with a shortage of money with which to pay its bills; that is, not until this year.”
- **“**The legislature chose to increase taxes through passage of one measure **[HTRC/HB26]…** which in total is estimated will increase state general fund revenues in the seventy-second fiscal year by $110.8 million, of which $96.9 million is from tax increases…”:
  - GRT and compensating tax were increased from 3.5% to 3.75%;
  - PIT was increased by 30%;
  - a withholding offset was allowed for the food tax rebate;
  - CIT was increased by 20%;
  - liquor excise tax rate was increased, but the liquor wholesaler's tax was repealed;
  - oil and gas emergency school tax was increased from 2.55% to 3.15%; and
  - insurance premium tax was increased from 2.5% to 3%.

1986 Package: Revenue Raiser in a “tax measure”

- “Faced with an extremely critical financial crisis due largely to the decline in oil and gas prices and production and other economic factors, the legislature enacted a tax measure which restructured state and local tax sources.”
- In that measure, **HAFC/HB6**:
  - PIT brackets were reduced from 19 to 7 and the rates were modified;
  - personal and standard PIT exemptions were amended;
  - food and medical PIT rebates were reduced;
  - the franchise tax was repealed and combined into the corporate income and franchise tax; and
  - the GRT was increased from 3.75% to 4.75%, with up to ½% of the municipal GRT rates allowed to be credited against the state GRT rate.

In-between years: 1987; 1988; 1990 1ST S.S.

- 1987:
  - **SB652**: increased the gasoline tax from $.11 to $.14 per gallon and the special fuel excise tax from $.11 to $.16 per gallon.
- 1988:
  - **SFC/SB295**: repealed the individual food and medical PIT rebates and enacted a permanent rebate that combined and expanded them.
- 1990 1st S.S.: “One of the major issues of the first special session was the raising of revenue, and it was no easy task to find agreement on what was referred to euphemistically by the governor as ‘revenue enhancement.’”
  - **SFC/SB1**: GRT and compensating tax increased from 4.75% to 5%.

1991 Package: Revenue Raiser in a “major tax and revenue package”

- “The United States bombing of Iraq and the beginning of Operation Desert Storm, the Gulf war, began a few days after the legislature convened. Members initially found it difficult to concentrate on legislation and committee work, as they sought out televisions to watch the progress of the war. While it wasn't the Arabian desert, the 1991 legislature worked in less than ideal and comfortable surroundings. The ongoing renovation of the state capitol meant that most offices and committee rooms were across the street in the PERA building. One of the major tasks of the legislature, to raise enough money to operate state government, was a greater challenge than ever. Revenue estimates were revised downward during the session, and "no new taxes" was the rallying cry on everyone's lips, Democrats and Republicans alike.”
- **SFl/SB591** “was the major tax and revenue package. Much of the revenue was raised from fund transfers and redistributions. However, there were a number of significant tax features in that measure”:
    - the 1.35% state GRT distribution to cities was reduced to 1.225%;
    - the MVET distribution to the general fund was increased from 1/3rd to 3/4th;
    - PIT and CIT changes:
        - net operating loss carryback is eliminated, and net operating loss carryovers are limited to five years; and
        - NM's deduction and exemption amounts were revised to correspond with those allowed for federal tax purposes, making NM base income identical to federal taxable income;
    - several livestock GRT exemptions were eliminated;
    - a differential premium tax rate for insurers with a certain percentage of investment in New Mexico was eliminated;
    - a gas tax and petroleum loading fee deduction was phased out; and
    - requiring advance payments of the oil and gas emergency school tax, oil and gas ad valorem production tax, oil and gas conservation tax and oil and gas severance tax.

In-between year: 1993

- "The 1993 legislature raised $112 million in new general fund revenues, over $75 million of that from tax increases." Enacted legislation included:
  - **SB395** that repealed the low-income food and medical PIT rebates;
  - **SB366** that increased the gasoline tax from $.16 to $.22 per gallon and the special fuels excise tax from $.16 to $.18 cents per gallon.
    - Note: the gasoline tax was temporarily reduced to $.20 by CS/HB6 et al. in 1994 and permanently reduced to $.17 by CS/SB11 in 1995. The rate hasn't changed since.

1994 Package: Tax Relief in a “major tax relief package”

- “As with most short sessions, it was indeed money that made the roundhouse ‘go round’. Legislators were buoyed by a surprisingly strong New Mexico economy and unexpectedly healthy revenue growth. This enviable state of affairs enabled the legislature to give New Mexicans $175 million in tax relief over the next three years....”
- “The major tax relief package, [**CS/HB6 et al.**], was passed early in the session. The tax relief highlights of this measure include:”
  - a $.02 gasoline tax decrease for three years;
  - restructuring of PIT brackets and rates, with particular emphasis on reducing the "marriage penalty";
  - a new prescription drug PIT tax credit to help offset the GRT passed on to the purchase of prescription drugs; and
  - expansion of LICTR.
  - To offset some of the costs of the tax relief, the bill directed 25% of MVET revenues to the general fund.

1998 Package: Tax Relief in a “tax relief package”

- “With relatively healthy revenue growth, the major tax issue in the 1998 legislative session was tax relief.”
- The tax relief package, **HTRC/HB100 et al.**, included three tax reduction provisions:
  - reducing the top marginal PIT rate from 8.5% to 8.2%;
  - repealing the existing prescription drug income tax credit and replacing it with a GRT deduction; and
  - expanding and increasing LICTR.

In-between years: 2000; 2003; 2003 1st S.S.; 2004

- 2000: “Worldwide coordination, cooperation and communication on the "Y2K problem" led to a successful transition to the new year.... The session also marked the opening of the capitol north.”
  - **HB366** limited increases on valuation of residential property (the “3% limitation” to limit “tax lightning”).
- 2003: “New Mexico did not face the same budget crisis as other states and a personal income tax cut expected to be worth $360 million once fully implemented was approved before the session’s halfway point — a remarkable feat.”
  - **HTRC/HB167 & SB167** reduced income tax rates and increased the capital gains deduction over five years.
    - “The news during the session was about the huge billboard in Times Square in New York City advertising the [income tax] reduction and the state as ‘open for business’.”
  - The blue ribbon tax reform commission is created to “identify the strengths and deficiencies in the state's tax system and consider a broad range of improvements to modernize the tax system and make it more conducive to economic growth.”
- 2003 1st S.S.: **HB15** increased the weight distance tax and the special fuels excise tax and increased vehicle registration fees and certain excessive weight permit fees to help pay for certain transportation projects, now known as “GRIP” (Governor Richardson’s Investment Partnership).
- 2004: “For many, 2004 will be remembered as the year the [gross receipts] tax on food was eliminated. The bill that enacted this measure [**HFl/SFl/HB625**], which also removed the gross receipts tax on certain medical services and repealed the municipal credit to pay for the changes, was certainly a highlight of the session in terms of legislative debate, public opinion and tax policy implications.”

2005 Package: Tax Relief in a "comprehensive tax relief measure"

- "Once again, New Mexico was blessed with an encouraging revenue forecast. While other states wrestled with budget deficits and reducing expenditures, New Mexico legislators were greeted with $284 million in additional revenue when they arrived in Santa Fe. Thanks to record oil and gas prices, budget writers were able to contemplate where to spend and were spared the unpleasant decisions of where to cut."
- **HTRC/HB410** et al. "is the most comprehensive tax relief measure" of the session, and included:
  - a PIT exemption for low and middle-income households;
  - a PIT exemption for persons 65 years of age or older with medical care expenses exceeding $28,000;
  - permitting heads of households to file income taxes within the same income tax brackets as married individuals filing joint returns;
  - a school supplies GRT holiday;
  - expansion of the film production tax credit (originally enacted in 2002);
  - an affordable housing tax credit against modified combined tax liability;
  - a credit against modified combined tax liability for qualified research expenditures;
  - a GRT deduction for receipts from "transformational acquisition programs" performing research and development, testing and evaluation at New Mexico military bases;
  - a GRT deduction for receipts from aircraft services is expanded;
  - a 10% GRT deduction for receipts from sales of services for resale; and
  - expanding eligibility for the renewable energy production tax credit; and
  - a partial offset to the costs of these tax cuts by extending the phase-in of income tax rate reductions provided in 2003.

In-between years: 2005 1st S.S.; 2006

- 2005 1st S.S.:
  - **HB10** provided more one-time PIT rebates and more PIT bracket changes that resulted in additional PIT reductions.
- 2006
  - “Capitol veterans often remark that an early gauge of the difficulty of a legislative session is how much revenue the state expects to collect: the more money, the harder the session. The veterans were proved right by the second session of the forty-seventh legislature, which labored mightily amid reports of strong state revenues, a full and controversial agenda and lingering tension between many in the legislature and the governor.”
  - “One of the most surprising developments of the session came in the last minutes before adjournment when the senate failed to adopt the conference committee report for **House Taxation and Revenue Committee Substitute for House Bills 82, 128, 144, 295, 380, 390, 395, 424, 440, 441, 448, 455, 501, 603 and 674**. The committee had combined many of the bills that had been heard and endorsed by the interim revenue stabilization and tax policy committee into this substitute, which included tax administration cleanup, tax credits and deductions and many other tax matters. Since several of the initiatives had also been introduced separately in the senate, some of the content of the substitute bill did make it to the governor's desk and became law, but most initiatives were lost.”

2007 Package: Tax Relief in a 4-bill “tax reduction package”

- “Unlike in recent sessions, the tax reduction package… was not contained in a single ‘omnibus tax bill’ but, rather, in four separate bills. Each of these four bills consisted of an original bill amended to incorporate the provisions of numerous other bills in the same general subject area. The composite bills were:”
  - **HB839**, covering economic development, incorporates the provisions of House Bills 203, 236, 256, 352, 530, 547, 600, 654, 683, 757, 838 and 1038:
    - 5 new GRT deductions, expansion of 2 GRT deductions, 2 new GRT exemptions; new angel investment PIT credit; expansion of the laboratory partnership with small business tax credit.
  - **SB463**, covering energy, incorporates the provisions of House Bills 430, 534, 996 and 1145 and Senate Bill 291:
    - expansion of the renewable energy production CIT credit; new tax credits designed to encourage the production and sale of blended biodiesel fuel; GRT and comp tax credit for installing equipment to blend biodiesel fuel and PIT and CIT credits for special fuel taxes paid on blended biodiesel fuel; new PIT and CIT credits for construction or renovation of "sustainable buildings“; new PIT and CIT credits to conserve water on land used to produce agricultural products, grow trees or sustain livestock; new alternative energy product manufacturers tax credit; and a new GRT deduction for the sale and installation of solar energy systems providing space heat, hot water or electricity.
  - **HB436**, covering individuals and families, incorporates the provisions of House Bills 207, 833, 973, 1251 and 1254 and Senate Bill 1138:
    - new working families PIT credit; new special needs adopted child PIT credit; new PIT exemption for earnings from active duty service in the armed forces; expansion of the existing PIT exemption for low- and middle-income taxpayers; new GRT exemption for receipts from sales by a disabled street vendor; expansion of a GRT deduction for receipts from selling property to nonprofits to include receipts from selling construction materials to an organization that provides homeownership opportunities to low-income families; and various changes to the Tax Administration Act.
  - **HB638**, covering health, incorporates the provisions of House Bills 245, 389, 692, 797 and 958 and Senate Bills 317, 565 and 1057:
    - expansion of several GRT deductions for health care services; new GRT deductions for hearing aids and of vision aids; a GRT credit for a physician equal to the value of unpaid medical care services provided while on call to a hospital; hospitals may take a GRT credit equal to the state share of GRT due; new rural health care practitioners PIT credit; and increased premium tax credit for health insurers who participate in the New Mexico medical insurance pool.

2008 2nd S.S. Package: Tax Relief in a "modest rebate package"

- "Despite less-than-enthusiastic support for the governor's health care reform initiatives and early indicators of a troubled national economy, a special session was called and held in August 2008."
  - "The governor proposed a $120 million rebate package for the special session to benefit lower- and middle-income families; however, the revenue projections had begun to fall as fast as the price of oil. As a result, [**SFl/SB24**] provides a more modest rebate package of less than $60 million through refundable income tax credits".
- A separate bill, **HB4**, increased the working families tax credit by 25%.

In-between year: 2010 2nd S.S.

- “The worst economic crisis since the great depression continued unabated and, with it, the state’s fiscal woes; but the legislature adjourned the 2010 regular session without approving a general appropriation act for the next year, the first time that has happened since 1984. A second special session began less than two weeks later, rekindling the debate between cutting spending and raising taxes, and it resulted in a compromise that included a fiscal year 2011 spending plan of $5.6 billion — which is less than fiscal year 2008 levels — and the biggest tax increase since the mid-1980s.”
  - **SFC/SB10** et al. increased the GRT rate by 1/8th% and the compensating tax rate on the use of tangible personal property by 1/8th%, but not the compensating tax on services, resulting in two compensating tax rates.

2013 Package: Tax Relief in the last minute

- On the last morning of session, **HBIC/HB641** was amended in the senate from a bill that made changes to the film tax credit to a last-minute tax relief package:
  - Tax relief provisions:
    - various changes to the film credit;
    - cutting the top CIT rate from 7.9% to 5.9% over 5 years;
    - allowing single sales apportionment for certain manufacturing operations; and
    - extending the high-wage jobs tax credit.
  - Revenue raising provisions to offset some of the cost of the tax relief:
    - phasing out hold harmless distributions to cities and counties over a 15-year period;
    - to offset the loss of the hold harmless distributions to the locals, cities and counties are authorized to impose a hold harmless local GRT not to exceed 3/8%;
    - requiring certain multistate corporations to file a combined return; and
    - narrowing the qualifications for the GRT deduction for tangible property consumed in the manufacturing process.
- “The house concurred with the senate's amendments in the final minutes of the session.”

2016 2nd S.S. Package: Revenue Raiser in a "tax package"

- "At the end of FY 2016, the state had spent $617 million more than it took in. While most of this gap was closed through transfers from the state's cash reserves that occur automatically in the event of such a shortfall, a gap of about $131 million remained. The governor called a special session on September 30, 2016, and the legislature met for six days to address this shortfall, while also beginning to address solvency for FY 2017 and subsequent fiscal years."
- **SB6** made changes to the tax code intended to raise revenue for the state, including:
  - reducing a distribution to the Legislative Retirement Fund;
  - amending certain health care industry GRT deductions to ensure that the deductions are properly claimed; and
  - additional eligibility requirements for the high-wage jobs tax credit.

In-between year: 2017 1st S.S.

- “Following the 2017 regular legislative session, the governor vetoed the budgets of the legislature, higher education institutions and special schools from the General Appropriation Act of 2017. In a special session that convened two months after the regular session adjourned, the legislature passed a supplemental general appropriation act that provided nearly identical funding to that which had been vetoed, and this time, it was signed into law.”
- “A modified version of two bills that were vetoed after the previous regular session — House Bill 191 and House Bill 202... was passed in the special session with **House Bill 2 (Chapter 3, p.v.)**. After line-item vetoes, the only provisions to survive are those that”:
  - make a distribution to the tax stabilization reserve of revenue in excess of a five-year average of the oil and gas emergency school tax (aka, the "Larry Larranaga fund" or the "rainy day fund");
  - suspend a distribution to the Legislative Retirement Fund (“Because the fund is overfunded,” per the FIR); and
  - technical cleanup of a section of the Gross Receipts and Compensating Tax Act.
  - What didn't make it:
    - 1st attempt at destination sourcing/internet sales provisions;
    - Imposing GRT on nonprofit hospitals, GGRT on gov't hospitals; and
    - Requiring reporting on certain GRT deductions.

2019 Package: Tax Reform+Revenue Raiser+Tax Relief in "a massive tax package"

- "Two other important factors heavily influenced the work of the 2019 session well before it began. First, a district court judge ruled that New Mexico was violating the constitutional right of at-risk students to a sufficient education and ordered the legislature and the governor to establish a funding system that meets those constitutional requirements. Second, mostly because of increased oil and gas activity in the southeastern corner of the state, the state found itself with $1.2 billion in additional revenue."
- **HB6**, the "massive tax package", included:
  - Tax reform (which also raised revenue):
    - changing GRT sourcing rules from origin-based sourcing to destination sourcing;
    - applying the state GRT and, beginning July 1, 2021, local GRT and compensating taxes to internet sales, aka "remote sales";
  - Revenue raisers:
    - subjecting for-profit, nonprofit and government hospitals to the GRT, GGRT or local option GRTs, but also allows the hospitals deductions and an exemption from those taxes;
    - requiring CIT combined reporting for multistate corporations;
    - creating a new top PIT bracket of 5.9% on higher-income taxpayers;
    - increasing the cigarette tax;
    - imposing the tobacco products tax on e-cigarettes—but reduced the tax on cigars; and
    - increasing the MVET from 3% to 4% and distributing the new revenue for road projects.
  - Tax relief:
    - increasing the working families tax credit; and
    - creating a dependent deduction to offset impacts from the federal Tax Cuts and Jobs Act of 2017.
- Also enacted in 2019:
  - **SB2** increased $50m film credit cap to $110 with an exemption to the cap for film partners, and paid off the backlog of credits in the queue; and
  - **HB479** de-earmarked most local option GRTs.

In-between years: 2020; 2020 1st S.S.; 2021

- 2020: **HB83** created the Early Childhood Education and Care Fund, funded with excess money from federal mineral leases and oil and gas emergency school tax.
- On March 11, 2020, the NM Department of Health announced the first confirmed COVID-19 cases in the state. On March 23, 2020, the Governor issued a stay-at-home public health emergency order.
- 2020 1st S.S.: **HB6**, first COVID relief :
  - doubled an existing GRT distribution to cities and counties, unless the federal government provided them money for revenue declines due to the pandemic;
  - granted a GRT exemption for payments received by certain health care providers pursuant to the federal Coronavirus Aid, Relief, and Economic Security Act; and
  - changed the definition of "net operating loss deduction" to prevent unintended consequences due to changes made by the federal Coronavirus Aid, Relief, and Economic Security Act.
- 2021:
  - **SB1**, more COVID relief:
    - tax rebates for taxpayers eligible for the working families tax credit and who had certain incomes; and
    - a 3-month GRT deduction for food and beverage establishments.
  - **HB291**:
    - increased LICTR and made the rebate amounts subject to inflation (LICTR hadn’t been amended since 1998); and
    - the working families tax credit is increased and expanded.

2022 Package: Tax Relief in a “tax package”

- “The [2022 session], and the pair of special sessions closely bookending it, accomplished an impressive amount of work in a few short months and by passing a relatively small number of bills to do so. The sessions took place against the backdrop of a world still grappling with the COVID-19 pandemic and a handful of changes to the legislative landscape.”
- “This year's tax package**, HTRC/HB163**,” included:
  - reducing the 5.125% GRT and compensating tax rate by .125% in FY 2023, followed by another .125% cut in FY 2024;
  - creating one-time PIT rebates;
  - creating a child income tax credit;
  - creating a PIT exemption for military retirement income;
  - exempting the social security income from income tax of taxpayers with certain incomes;
  - creating GRT and GGRT deductions for the sale of certain business-to-business professional services to a manufacturer; and
  - creating a one-time PIT credit for nurses employed by hospitals in New Mexico.
- Also, following the 2022 regular session, in the 2022 3rd S.S., **HB2** provided supplemental income tax rebates to residents who filed a PIT return for taxable year 2021.

2023 Package: Tax Relief in a substitute made up of 26 bills, partially vetoed to 4

- “The single greatest influence on the 2023 legislative session was the influx of increased revenue, almost entirely attributed to oil and gas development in the southeastern region of the state, totaling an estimated $3.6 billion in ‘new money’. Spending such a massive windfall does not tend to be a problem for public bodies; doing in a manner responsive to the state's needs is the trick. To that end, the legislature had its work cut out for it.”
- **HTRC/HB547** included 26 different bills that were introduced individually before being combined into the tax package. After being partially vetoed by the governor, only four provisions became law:
  - a tripling of the child income tax credit;
  - additional PIT rebates for all New Mexico residents;
  - expanding a GRT deduction for copayments and deductibles for health care services; and
  - expanding and increasing the film tax credits.

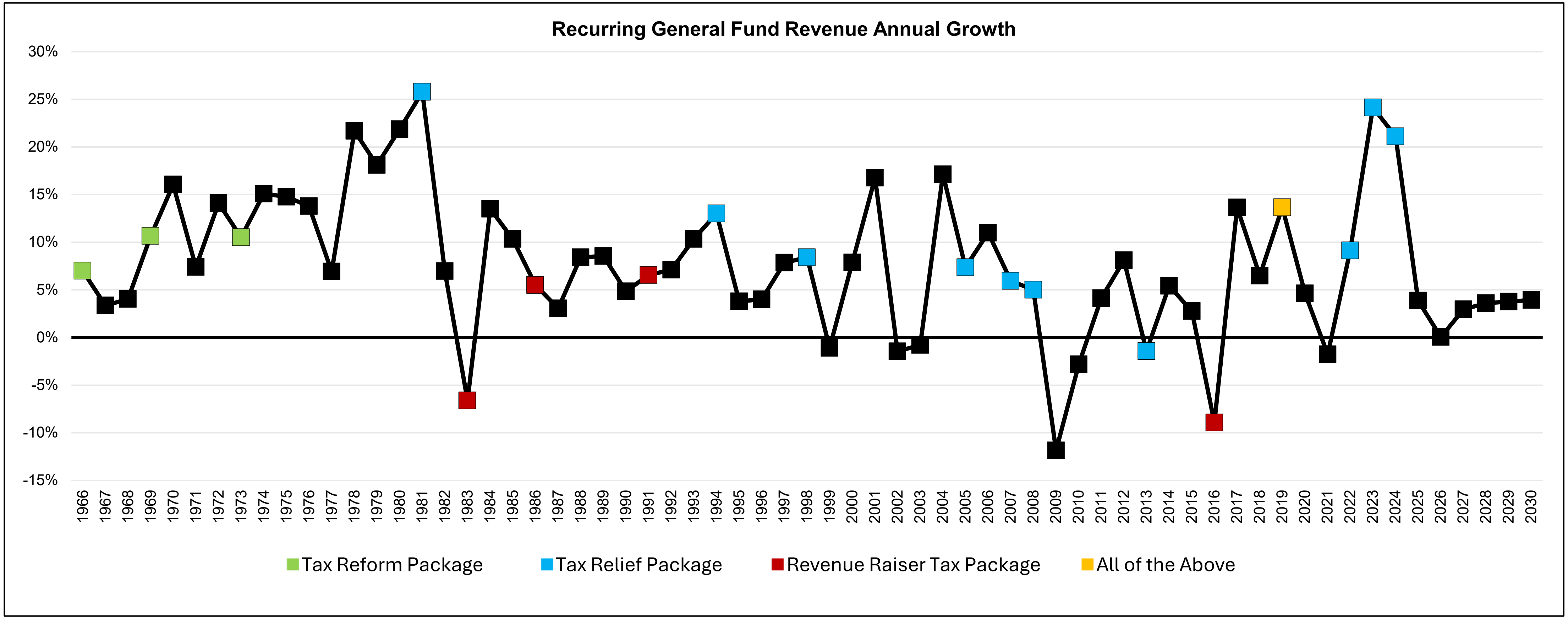
2024 Package: Tax Relief in 22 bills combined into 1 final “tax package”

- “Given its role as the appropriating body of state government, almost all sessions revolve around money in one way or another. However, few sessions were as thoroughly dominated by money as the 2024 legislative session was. For decades, the oil and gas industry has been the dominant factor in the legislature's approach to appropriating money. Lean years feature discussions about trimming budgets and sweeping funds in pursuit of solvency. Boom years are all about spending extra money. 2024 was a boom year, and it was all about the money.”
- **HTRC/HB252** was comprised of 22 different bills, and included:
    - adding a new 4.3% bracket and adjusting rates and income ranges within the brackets;
    - creating a home fire recovery PIT credit for expenditures made to replace a home destroyed by the Hermit's Peak/Calf Canyon Fire;
    - creating a GRT credit for legal services sold to the victims of the Hermit's Peak/Calf Canyon fire;
    - creating clean car PIT and CIT credits;
    - creating a clean car charging unit PIT and CIT credits;
    - removing the sunset date of a PIT exemption for armed forces retirees and extending the exemption to an armed forces retiree's surviving spouse;
    - creating the geothermal electricity generation PIT and CIT credits;
    - creating GRT and comp tax deductions for the sale of personal property and services related to a geothermal electricity generation facility;
    - creating the advanced energy equipment PIT and CIT credits; and
    - expanding the new solar market development PIT credit and increasing the annual aggregate cap.
    - Revenue raisers:
        - limiting the 40% capital gains deduction to only capital gains from the sale of a NM business; increasing the deduction for all other capital gains to $2,500; and
        - eliminating the lower CIT rate of 4.8%, resulting in a flat CIT rate of 5.9%.

2025: Tax Relief+Revenue Raiser-Revenue Raiser “tax package”, but vetoed

- “As the dust from the 2024 election began to settle, whispers across the legislative landscape suggested that the upcoming 2025 session would prove to be as difficult as any in recent memory. Still, despite several twists and turns, and against the national backdrop of a much rougher style of governing, the New Mexico Legislature set about rolling up its collective sleeves and getting some work done.”
- From 2 bills in the HTRC substitute that included a revenue raiser, to 10 bills without the revenue raiser as amended by STBTC, to 4 bills in the conference committee, **HTRC/HB14** that would have been the 2025 tax package was ultimately vetoed by the governor. If passed, the amended bill would have:
  - Repealed and replaced the working families tax credit, which currently provides a percentage of the federal earned income tax credit, with a state "earned income tax credit" that would have increased the benefit;
  - Created the foster parent and guardian PIT credit;
  - expanded the health care practitioners GRT deduction to include coinsurance paid by a patient; and
  - increased liquor excise tax rates imposed on larger manufacturers by 20% and amended the distributions of the tax, including to a new fund for alcohol harms prevention, treatment and recovery services to individuals on lands of Indian nations, tribes and pueblos.

Levels of general fund annual growth when Tax Packages were enacted



Questions?