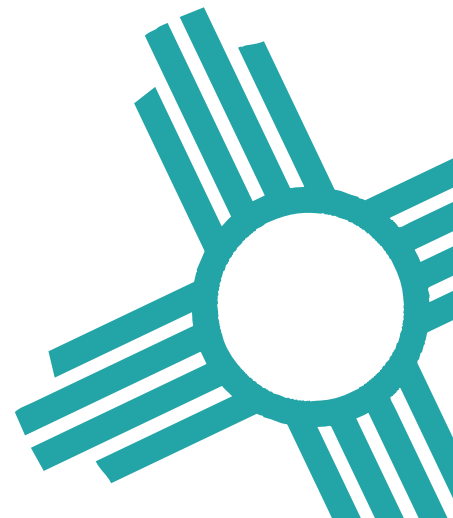


NEW MEXICO 2025 TAX EXPENDITURE REPORT

TAXATION &
REVENUE
NEW MEXICO



**PUBLISHED BY THE
TAX ANALYSIS, RESEARCH AND STATISTICS OFFICE**



2025 TAX EXPENDITURE REPORT

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SECRETARY'S MESSAGE

The Taxation & Revenue Department is proud to release the 2025 Tax Expenditure Report, an important transparency tool that allows State policymakers, advocacy groups, and the public a unique opportunity to evaluate the State's tax code. The State's operating budget undergoes extensive annual scrutiny and prioritization, with hundreds of hearings on agency budgets. However, this is not so with the tax code, and without this Tax Expenditure Report, New Mexico would lack the ability to evaluate the amount and efficacy of the revenue that the State foregoes through myriad tax credits, deductions, exemptions, preferential tax rates, and other tax expenditures. Just as the State's appropriations are evaluated and reprioritized annually, tax expenditures should be periodically reviewed to ensure they are achieving their intended results at an appropriate cost to the public.

From 2012 through 2022, Tax & Rev produced a Tax Expenditure Report as directed in Executive Order 2011-072. Beginning in 2023, the Tax Expenditure Report has been produced by November 15 of each year in compliance with Section 7-1-84 NMSA 1978.

I am appreciative of Tax & Rev's team of talented economists and staff who have dedicated many hours throughout the year researching and evaluating the tax expenditures catalogued in this report. The primary contributors to this report are Chief Economist Lucinda Sydow and Senior Economists Pedro Clavijo, Sara Grubbs, and Chen Xie. An undertaking of this magnitude would not be possible without the professional skills and diligence of this group. Nor would it be possible without the cooperation of other State agencies that play a role in administering many of the tax incentives New Mexico uses to encourage beneficial social and economic activity. We are grateful for their assistance.

Stephanie Schardin Clarke
Secretary of Taxation and Revenue
State of New Mexico

CONTRIBUTORS

Pedro Clavijo, Senior Economist

Sara Grubbs, Senior Economist

Chen Xie, Senior Economist

Lucinda Sydow, Chief Economist

Taxation and Revenue Department, Tax
Analysis, Research and Statistics Group

Stephanie Schardin Clarke

Secretary, Taxation and Revenue Department

Donnita Wald

Tax Policy Director, Taxation and Revenue
Department

Bobbie Marquez

Tax Information and Policy Office Manager,
Taxation and Revenue Department

Justin Lovato

Web Presence Administrator, Taxation and
Revenue Department

Srinivas Vallabhaneni

Motor Vehicle Division - Information
Technology Division Developers, Taxation
and Revenue Department

Daye Kwon, Economist

Shane Shariff, Economist

Economic Development Department

Carmelita (Carmen) Austin

Climate Change Specialist, State Forestry
Division, Energy, Minerals, and Natural
Resources Department

Shirley Green

Budget & Finance Analyst, Department of
Finance and Administration.

Tim Martinez

Housing Development Supervisor
Housing Development
New Mexico Mortgage Finance Authority

Patrick Kennedy

Ticket Manager – Oakview Group

Pam Stokes

Senior Staff Attorney, New Mexico Legislative
Council Service

Finally, all the former economists from the Taxation and Revenue Department who worked on this report since its inception in 2012.

ANNUAL TAX EXPENDITURE BUDGET REPORT STATUTORY CITATION

This report is published in compliance with Section 7-1-84 NMS 1978, enacted in 2023, which requires the Department to present a tax expenditure budget report by November 15 of each year.

7-1-84 NMSA 1978 Tax expenditure budget

A. No later than November 15 of each year, the secretary shall compile and present a tax expenditure budget to the governor, the revenue stabilization and tax policy committee and the legislative finance committee and post the tax expenditure budget to the department's website.

B. A tax expenditure budget shall include the following information for each tax expenditure of a tax administered by the department:

- (1) the statutory basis;
- (2) the year of enactment, amendment or repeal, if any;
- (3) a brief description;
- (4) the intended purpose, if specified in the law providing for the tax expenditure;
- (5) an estimate of the amount of foregone revenue by fiscal year for the three fiscal years preceding the current fiscal year, including the general fund, other state funds and local government revenues;
- (6) the number of taxpayers that claimed a tax expenditure for each fiscal year reported, unless reporting of such data is in a form that can be associated with or otherwise identify, directly or indirectly, a particular taxpayer;
- (7) the data source used for the estimate;
- (8) a description of the reliability of the estimate;
- (9) an evaluation of the tax expenditure, if required in statute for the specific expenditure; and (10) a description of the tax expenditure's effect on tax administration, if any.

C. The department may request from an executive agency or a local government agency or official the information necessary to complete a tax expenditure budget required by this section. The agency or official shall comply with a request made pursuant to this section by the department as permitted by law.

D. As used in this section, "tax expenditure" means a provision of law administered by the department to reflect state tax policy, as determined by the secretary, including promoting the general welfare of citizens, giving preferential tax treatment to a specific industry or reflecting a specific purpose, including incentivizing consumer behavior, economic development or job creation. A tax expenditure does not include provisions of laws enacted to prevent violation of state or federal law, prevent federal preemption, ensure comity between governments, avoid multiple taxation or define a tax base."

The report is to be published for public access at the Taxation and Revenue Department website and this year's and all previous years' reports may be found at:

<https://www.tax.newmexico.gov/forms-publications/>

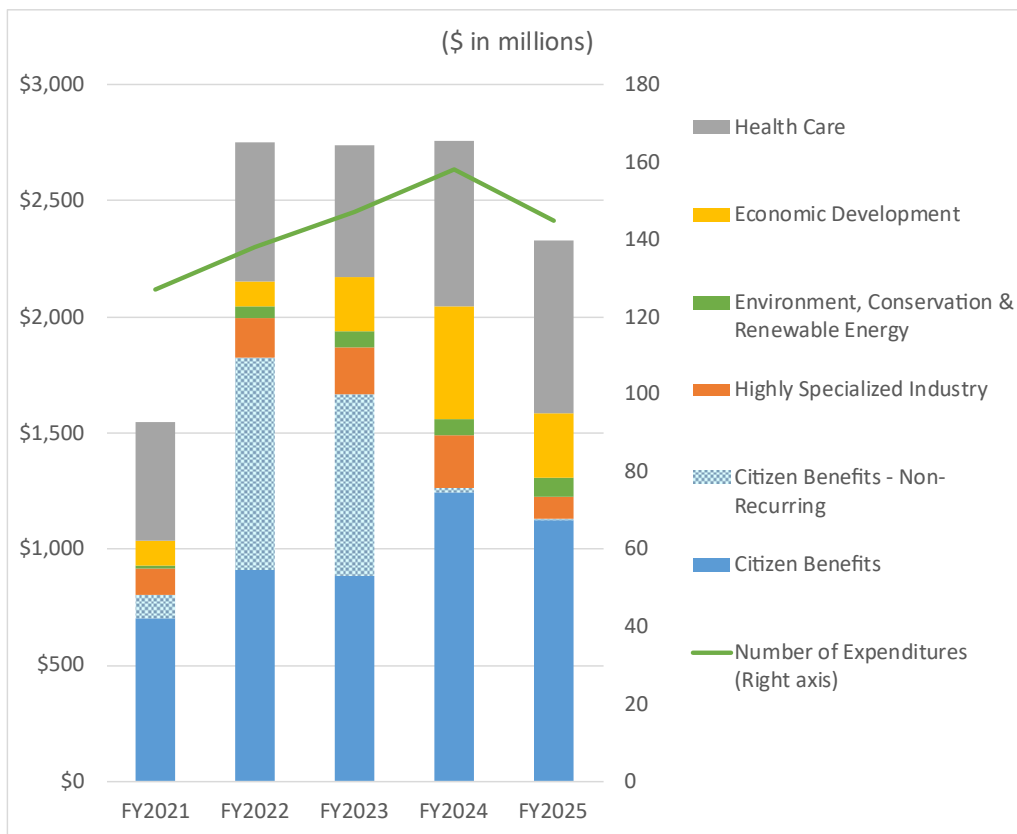
Under 'Publications' and then 'Tax Expenditure Reports.'

EXECUTIVE SUMMARY

The 2025 Tax Expenditure Budget Report estimates the aggregate reduction in state and local revenue as a result of tax expenditures. This year’s report includes 149 tax expenditures that existed in statute for fiscal year 2025. Of the 149, nine are new expenditures enacted through recent legislation (new expenditures are detailed at the end of this Executive Summary). The chart below reflects the non-redacted data¹ available for all tax expenditures for fiscal year 2025 and historical years, except for property tax expenditures.² Caution is advised when evaluating expenditures in aggregate given: the number of expenditures with no estimated cost; overlap and potential double counting of some expenditures where data is limited and there is a lower level of reliability; and interactions between expenditures.

A description of the categories and the reliability of the data are discussed further under “Notes about the Data” and “Categorizing Expenditures”.

TAX EXPENDITURES BY CATEGORY³



¹ As explained below, certain taxpayer data is subject to confidentiality rules, and must therefore be redacted.

² Property tax data has a lag of one year.

³ Placement of a particular expenditure into a specific category is sometimes a matter of judgment, as discussed under “Categorizing Expenditures”.

While new expenditures have been added to the tax code, the expenditure aggregate dollar drop in FY2025 is attributable primarily to the reclassification of expenditures. Within the category of Economic Development, TIDD – Tax Increment for Development District Dedicated GRT Distributions and Local Economic Development Act (LEDA) Special GRT distributions were reclassified as ‘arguable.’ In addition, three expenditures under Highly Specialized: Processing Natural Gas Deduction from Oil and Gas Emergency School Tax; Reasonable Expense of Trucking Product to Market Deduction from Oil and Gas Emergency School Tax; and Transportation of Natural Gas Deduction from Oil and Gas Emergency School Tax have been reclassified as not tax expenditures. Due to legislative changes in the 2025 legislative session that changed the taxable incidence to ‘severed and sold’ under the Oil and Gas Emergency School Tax, the three deductions are no longer unique from the other severance taxes and join other comparable deductions under not tax expenditures.

STATE AND LOCAL TAX EXPENDITURE INCIDENCE

New Mexico’s tax expenditures forego a mix of state and local revenue. The only expenditures that generally have a local government revenue impact result from Gross Receipts Tax (GRT) and Property Tax expenditures. With the exception of the low-income property tax Personal Income Tax (PIT) rebate that is reimbursed by certain counties, tax expenditures in PIT and Corporate Income Tax (CIT) affect only State revenue. For example, foregone state and local GRT from Sale of Software Development Services GRT Deduction is as follows.

Sale of Software Development Services GRT Deduction	Fiscal Year	2023	2024	2025
	State General Fund Expenditure (thousands)	\$4,193	\$3,673	\$16,600
	Local Government Expenditure (thousands)	\$2,717	\$2,407	\$10,880

For fiscal year 2025, 84% of all estimated tax expenditures represented foregone state revenues, while 16% represented foregone local government revenue. Property tax expenditures are not included in this estimate. This is due to the lag in the data and also the inability to delineate cleanly the expenditure incidence by each government entity.

NEW EXPENDITURES ENACTED – RECENT LEGISLATION

The 2025 Tax Expenditure Report includes 9 new expenditures and 1 “arguable”, in which consensus is lacking, presented below. More detail on these expenditures may be found under each specific tax expenditure’s reporting page.

Expenditure Name	Statute	Legislative Session	2025 Amount (\$000s) (Local and State)
Child Care Providers GRT Deduction	7-9-77.2 (A) & (B) NMSA 1978	2024 Regular	\$13,008
Clean Care Income Tax Credit against PIT and CIT	7-2-18.36 and 7-2A-19.1 NMSA 1978	2024 Regular	\$1,225
Clean Car Charging Unit Income Tax Credit against PIT and CIT	7-2-18.37 and 7-2A-19.2 NMSA 1978	2024 Regular	\$0
Environmental Modifications for Medicaid Recipients GRT Deduction	7-9-73.4 NMSA 1978	2024 Regular	\$2,100
Geothermal Electricity Generation-Related Sales and Use GRT and Compensating Tax Deduction ⁴	7-9-112.1 NMSA 1978	2024 Regular	\$164
Home Fire Recovery Income Tax Credit against PIT	7-2-18.35 NMSA 1978	2024 Regular	\$0
Legal Services for Wildfire Compensation Recovery GRT Credit	7-9-121 NMSA 1978	2024 Regular	Redacted
Sale of Dyed Special Fuel for Agricultural Purposes GRT Credit	7-9-58.1 NMSA 1978	2024 Regular	Redacted
School Supplies Purchased by a Public School Teacher Deduction from PIT	7-2-41 NMSA 1978	2024 Regular	\$232

Arguable Name	Statute	Legislative Session	2025 Amount (\$000s) (Local and State)
Metropolitan Redevelopment Projects GRT Distribution	7-1-6.71 NMSA 1978	2023 Regular	\$0

⁴ This deduction has several qualifying subsections that have less than 3 taxpayers reporting.

DETERMINING TAX EXPENDITURES

The federal government defines tax expenditures as “those revenue losses attributable to provisions of the federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability....”⁵ Applying this concept to New Mexico, this report defines tax expenditures as “deviations from a baseline tax system created by specific tax law provisions.” Tax expenditures may reflect an overarching statewide policy, such as promoting the general welfare of all citizens, or may reflect a specific purpose, such as incentivizing certain consumption, economic development, or job creation. The term “tax expenditure” reflects the perspective that foregoing revenue that would normally accrue may be thought of as spending through the tax code.

With that definition in mind, not every credit, exemption, deduction, or rate differential constitutes a tax expenditure. Certain credits, exemptions, and deductions are not considered tax expenditures because they are included in the tax code due to constitutional prohibition, federal pre-emption, comity between governments, avoiding double-taxation, or defining a tax base. Therefore, they do not represent policy choices by the state Legislature but simply mandates of law or defining what is the baseline of the tax system.

The questions are: do different tax structures constitute “tax expenditures”? If so, what is the baseline from which they are deviating?

If a tax structure taxes different activities or products differently without establishing a base tax rate, these rate differentials are not treated as tax expenditures. In other words, if different tax rates apply to different classes of taxable activities, products or services, then the rate differentials are defining the tax base. If, however, a tax structure has a base tax rate and there are instances in which the same or very similar activities, products or services are taxed at a different rate, these tax rate differences are treated as tax expenditures.

Reasonable minds with a shared understanding of these definitions may disagree on specific tax expenditure determinations. This report appeals to generally accepted standards for most deviations and includes a discussion of the rationale for each determination, so readers may form their own judgement. Similarly, the report conforms to generally accepted standards for examples of deviations that are not tax expenditures in that section.

Finally, the report includes a list of provisions on which consensus is lacking – categorized as “Arguable” tax expenditures. This section ensures transparency and consistency in reporting. The report includes the statutory basis, intended purpose, evaluation, any recommendations, and the actual or estimated fiscal impact for each tax expenditure.

The report also includes a reliability factor and a brief history of each statute to describe how the statute has evolved. The description of each expenditure shows in which of the five categories of purposes (citizen benefit, economic development, etc.) the expenditure belongs. Many statutes have been amended several times, so the year of amendment and substance of the change is noted.

⁵ 2 USC § 622

In total, there are 149 tax expenditures, 122 provisions that are not tax expenditures, and 27 “arguable” activities in which consensus is lacking.

TYPES OF TAX EXPENDITURES

EXEMPTIONS AND DEDUCTIONS

In terms of the practical effect on tax liability, there is little difference between an exemption and a deduction. Both are applied to reduce a taxpayer's taxable income or receipts, thereby reducing tax liability. However, there are administrative differences between the two. An exemption frees a taxpayer from a duty, liability, or requirement to report income, receipts, or other activity. Exemptions come in several forms:

- broad exemptions for certain types of taxpayers from a tax program;
- exemptions for certain types of transactions; and
- exemptions for certain amounts of income, revenue, or gross receipts.

In most instances, exemptions free taxpayers of a reporting obligation with respect to the exempt entity, transactions, or amounts. Unless specifically required by statute or instruction, exemptions are not reported. Therefore, assessing the impact and effectiveness of an exemption is more difficult than for most deductions. However, if an exemption exists to avoid double-taxation under another tax, then indirect reporting still occurs under the other tax.

Like exemptions, deductions can apply to certain types of entities, to transactions, or to amounts of income, revenue, or gross receipts. Unlike exemptions, deductions do not typically free taxpayers of reporting obligations. Rather, taxpayers entitled to deductions typically must file returns under the particular tax program to which the deduction pertains, identify the amount of the income or receipts before the deduction, and then reduce this amount by the amount of the deduction. In addition, many deductions under the GRT program require the taxpayer to obtain non-taxable transaction certificates or alternative evidence to establish entitlement to the deduction.

As noted in the "Determining Tax Expenditures" section above, many deductions and exemptions in New Mexico statutes are not tax expenditures.

Tax exemptions and deductions cannot reduce a taxpayer's tax liability below zero because they cannot exceed the amount of the income or gross receipts from the taxable activity.




CREDITS

A tax credit allows taxpayers that meet the qualifications for obtaining a credit to subtract the amount of the credit from the total tax liability they owe the State; in this respect, credits differ from deductions and exemptions, which reduce taxable income or receipts rather than tax liability. Tax credits are a "one-for-one" reduction in tax liability. Tax credits can be granted in recognition of taxes already paid or to encourage social and economic behaviors like investment or parenting. Most tax credits are reported on returns and are typically separately reported.

Unlike exemptions and deductions, tax credits may be used to reduce a taxpayer's tax liability below zero, resulting in a tax refund. These credits are referred to as "refundable" tax credits. Conversely, non-refundable tax credits may be carried forward to reduce tax liability in subsequent reporting periods. Some credits may be sold to other taxpayers; these are referred to as "transferable" tax credits.

NOTES ABOUT THE DATA

This report qualifies estimated expenditure amounts with Reliability Factors to help the reader understand the methodology for determining the fiscal impact of the tax expenditure. The fiscal impact of an expenditure needs to be considered in the context of that expenditure’s reliability factor. The Reliability Factor is a scale of 1-4 as follows:

-  1: The most reliable information comes directly from taxpayer-reported data, as contained in GenTax, Tax & Rev’s tax system of record. It requires no additional estimation or manipulation with one exception; instances where the GRT actual average rate is used to estimate the forgone tax instead of using the known rates in the different jurisdictions in the state.
-  2: Estimated from taxpayer-reported data as summarized in GenTax reports (e.g. RP-80, RP-500). For example, if a GRT tax expenditure is industry-specific, an estimate can be prepared using data on the industry based on North American Industry Classification System (“NAICS”) codes.
-  3: Estimated using national data and extrapolating to New Mexico.
- 4: The least reliable data. Estimates represent Tax & Rev’s best estimate about the fiscal impact of a tax expenditure. Due to limited data for analysis, these estimates are frequently rounded.

In addition, a limited number of expenditures have unknown reliability, because there is no data available to make even an estimate of the amount. The table below shows the number of expenditures for each Reliability Factor.

Reliability Factor	Description	Number of Expenditures
1	Most reliable. No estimation	67
2	Estimated from GenTax data	32
3	Estimated from national data	23
4	Least reliable. Estimated from limited data	10
Unknown	No data available	17

Taxpayers may amend tax returns for up to three years, plus the current year. Amended returns often impact expenditure amounts. Therefore, when comparing this year’s Report to prior versions, the reader should expect to see some revisions to prior years. For example, the amount of a particular expenditure may be different in this Report than it was in a previous report. Amended returns comprise a significant, but not the sole, reason for these variations. Other sources of the variation include late filings by taxpayers or improvements to Tax & Rev estimating methodologies.

New Mexico, like many states, defines a year differently for different tax programs. For instance, the GRT tax year corresponds to the State’s fiscal year (July 1-June 30), while income taxes use a tax/calendar year (January 1-December 31). In addition, many corporations delay their filings using the no-restriction extension from March to September of any given year. This presents a challenge for organizing and reporting the data. We present the income tax programs by both tax year and by fiscal year. The fiscal year in this case is representative of the fiscal impact regardless of the tax year; so the data show what was the aggregate fiscal impact from all filers and any tax year.

This report reflects current law at the time of publication. A statute may be repealed, but due to carry-forwards or amended returns, expenditures may continue into future years. Repealed statutes that are listed as not a tax expenditure or arguable will be noted as repealed if that action occurred since the last publication of this report. Otherwise, if repealed prior to the publication of last year's tax expenditure report, they will no longer be listed.

Finally, Tax & Rev is limited by federal and state law from disclosing data that might reveal a taxpayer's identity, except where noted in statute, notably 7-1-8.3 NMSA 1978, *Information that may be revealed to public*. Therefore, when there are fewer than three taxpayers reporting a deduction, exemption, or credit against a particular tax, Tax & Rev must typically aggregate the data for all of the tax programs affected by those deductions, exemptions, and credits to preserve confidentiality. When aggregating the data is not sufficient to preserve confidentiality, the data is redacted. The reader will find several blank entries in tables where the data are redacted.

CATEGORIZING EXPENDITURES

This report divides tax expenditures into the following five major categories according to their purpose: citizen benefits; economic development; environment, conservation, and renewable energy; health care; and specialized industry incentives.

As with the determination of whether a particular deduction, credit, or exemption constitutes a tax expenditure, there can be legitimate differences of opinion as to whether a particular expenditure belongs in one category or another. Certain expenditures may cross multiple categories. For example, an expenditure listed in the highly specialized industry category might also serve economic development purposes. However, to avoid double-counting, each expenditure is included in only one category.

The outline below sets forth types of expenditures included in each category. The full list of expenditures by category can be found in Appendix A.

1. Citizen Benefits

- a. Expenditures that are available to, or that benefit, all individual taxpayers who engage in certain activities, such as the expenditures related to food, medical services, and education.
- b. Expenditures designed to alleviate burdens for a specific subset of the population, such as veterans, active military, low-income individuals and families, or the elderly.
- c. Expenditures that lessen the demand for government services, such as certain nonprofit expenditures.

2. Economic Development

- a. Expenditures designed to stimulate investment in New Mexico, such as the angel investment PIT credit.
- b. Job creation expenditures, such as the high-wage and rural job tax credits.
- c. Expenditures designed to retain and attract industries, such as the film production tax credit.

3. Environment, Conservation, and Renewable energy

- a. Expenditures designed for environmental health, to promote conservation, and to promote renewable energy technologies and usage, such as the advanced energy credit (renewables and carbon sequestration), biofuels incentives, renewable energy production tax credit, and PIT/CIT credit for land conservation contributions.

4. Health Care

- a. Expenditures designed to increase accessibility to and lower the costs of health care. Examples include the health care practitioners GRT deduction, hospital construction deduction, and rural health care practitioners PIT credit.

5. Highly Specialized Industries

- a. Expenditures available to specific or highly specialized industries, such as agriculture, uranium, and aerospace.

PRINCIPLES OF GOOD TAX POLICY

Much discussion occurs about what makes good tax policy, and there are several principles around which consensus exists. These principles often support competing public policies, and balance should be kept between these principles.

An example of how some principles can take priority over others is shown in the application of New Mexico's Gross Receipts and Compensating Tax Act. These taxes have increasingly lost simplicity as efforts have been made to achieve equity, efficiency, and accountability.

We use this illustration not to disparage any particular section of the tax code, but to remind policy makers that reliance on these principles requires consideration of how application of one principle impacts other principles.

ADEQUACY

Tax revenues should be sufficient to support needed government services. Legislative and Executive determination of necessary spending defines what level of revenues is necessary. Conversations around adequacy implicate the revenue streams and demands upon State and local governments.

EQUITY

Tax equity or fairness considers how tax burdens are distributed amongst taxpayers. There are two different types of equity: 1) "vertical" equity, which requires that tax burdens should be distributed according to taxpayers' ability to pay, so that taxpayers with greater ability to pay bear a larger burden than those with a lesser ability to pay, and 2) "horizontal" equity, which tries to ensure that similarly-situated taxpayers face similar tax burdens. Without vertical equity, tax burdens may become too regressive, falling on those with the least ability to pay, and leaving them without the ability to afford basic necessities. Without horizontal equity, the government arguably gives one taxpayer a competitive advantage over another. There may be legitimate policy reasons for doing so, but violating this principle should be done with full understanding of the potential impacts.

EFFICIENCY

Efficiency denotes whether policies benefit economic growth. Tax policy experts agree that all taxes potentially affect or distort economic behavior by making certain economic choices more or less attractive, and that these effects on the economy are complicated. As a rule, tax efficiency requires that taxes be levied in a way that seeks to minimize market distortions that occur as taxpayers substitute untaxed goods, or lower-taxed goods, for more highly taxed goods to reduce tax burdens and costs.

Evaluation of efficiency in the application of economic theory is complicated when an activity generates externalized costs, which are costs not borne by the participants in the economic activity. A common example of externalized cost is environmental degradation, where the cost of environmental damage of producing a good is not reflected in the price, and is therefore not paid by either the purchaser or the seller of the good. Externalities may not be fully considered by individual actors in their marketplace decisions. In this case, taxes may be imposed as proxies for costs that

would otherwise not be taken into account; taxes can arguably improve the functioning of the economy by replacing the externalized, and so avoided, cost. For example, this reasoning supports tax expenditures incentivizing renewable energy because they may reduce pollution. We note that the concept of “efficiency” may seem to imply that there is an ideal, frictionless economic model, which is likely not the case. Therefore, tax policy can seek to reduce, but not eliminate, economic distortion.

SIMPLICITY

Taxpayers incur compliance burdens as they prepare, submit, and keep records for tax returns. They also face penalties, interest, and representation costs for failure to correctly file and pay. Likewise, Tax & Rev incurs administrative costs to collect taxes, review the accuracy of tax returns and payments, and bring taxpayers into compliance. Incorrect tax filings can cause difficult changes to distributions to the State, local governments and tribal entities. The magnitude of these costs to taxpayers and government is affected by how taxes are defined and collected; the more complicated the code, the higher the cost everyone must bear to ensure compliance.

While they may increase accountability, tax expenditures that require separate reporting move away from the tax principle of simplicity for both taxpayers and State. Although generally hidden from view, the costs of collection and compliance impose significant burdens on society and should be kept to a minimum level. However, as this Report itself shows, some reporting is required for policymakers to evaluate tax incentives and make sound economic choices.

ACCOUNTABILITY

Tax expenditures should be easy to monitor and evaluate. Moreover, taxes should be transparent so that taxpayers can better evaluate government policy. Improved accountability is an important goal of this tax expenditure report.

TAX POLICY EXAMINATION – GROSS RECEIPTS TAX DIVERSIFICATION

Tax expenditures can be used to steer the economy toward a specific objective. For instance, fiscal incentives to certain industries like manufacturing or professional services can increase the share of these industries in the economy. A higher participation of specific industries might be desirable due to their impact on employment, economic growth, or the environment. In this way, tax expenditures can incentivize economic diversification.

Economic diversification means expanding an area's economic base beyond a narrow range of traditional sectors, often shifting from reliance on primary products (e.g., agriculture, mining) to a broader range of manufacturing, services, and technologically advanced industries. Economic literature consistently highlights a strong positive correlation between economic diversification and improved macroeconomic performance.⁶

A diversified economy is less vulnerable to external shocks, such as commodity price volatility, changes in global demand for a specific product, or industry-specific downturns.⁷ When one sector faces challenges, others can buffer the impact, ensuring more stable growth and resilience. Diversification often involves the emergence of new industries that create jobs and boost income levels. Developing technologically advanced sectors can lead to higher wages and improved job opportunities, potentially reducing poverty and inequality.⁸

Over time, as an economy becomes more complex, tax capacity grows. Economic diversification broadens the government's tax base by making it more balanced and less reliant on a particular sector. Tax diversification creates a more stable and robust revenue stream, which in turn can support government spending, tax cuts, and economic growth. This stability allows governments to plan and fund public investments (e.g., infrastructure, education) more effectively, which are crucial for long-term economic growth.

The Theil index⁹ measures the tax diversification in a particular tax revenue.¹⁰ A Theil index of 0 represents perfect diversification, while in this application an index of 3 represents total reliance on one industry only. Figure 1 shows the evolution of the Theil index for New Mexico's gross receipt tax from March 2008 to March 2025.

⁶ Imbs, Jean, and Romain Wacziarg. 2003. "Stages of Diversification." *American Economic Review* 93 (1): 63-86.

⁷ Cerdeiro, Diego and Plotnikov, Dmitry. 2017. "Taking Stock: Who Benefited from the Oil Price Shocks?" IMF Working Paper No. 17/104

⁸ Acemoglu, Daron and Autor, David. 2011. "Skills, Tasks and Technologies: Implications for Employment and Earnings," in: O. Ashenfelter & D. Card (ed.), *Handbook of Labor Economics*, edition 1, volume 4, chapter 12, pages 1043-1171, Elsevier.

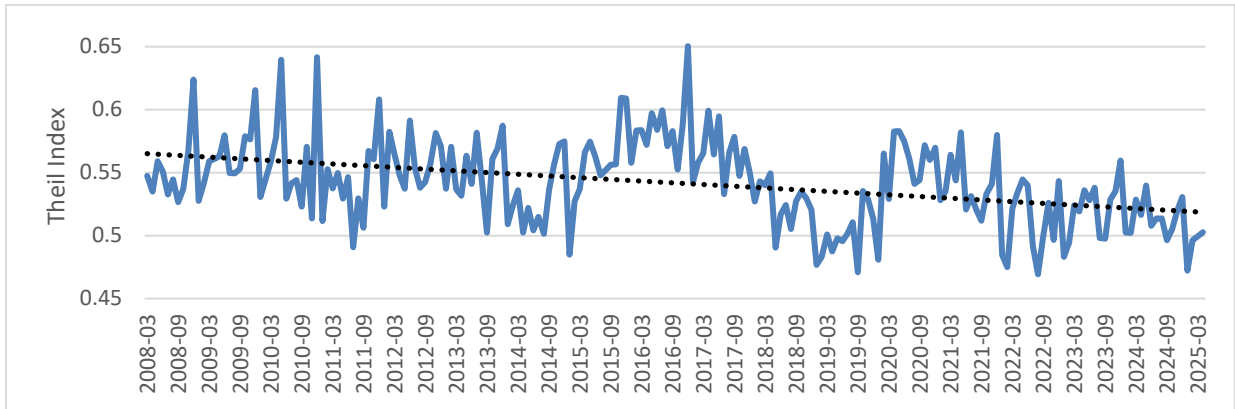
⁹ Theil, Henri. 1967. *Economics and Information Theory*. North Holland

¹⁰ The Theil index is used to calculate the dispersion of the gross receipts tax (GRT) by industry by a range of 2-digit codes in New Mexico. The Theil index (T) is written as:

$$T = \frac{1}{n} \sum_{i=1}^n \frac{GRT_i}{\mu} \times \ln \left(\frac{GRT_i}{\mu} \right);$$

where n is the number of industries (21); i represents a specific GRT industry subcomponent (manufacturing, construction, etc.); and μ stands for the average of the GRT industry subcomponent i . T is a measure of concentration, with a higher value of the index referring to a more concentrated GRT structure and a lower value referring to a more diverse GRT structure. By construction, the resulting Theil index will vary between 0 (perfect diversification) and $\ln(21)$ (reliance on one industry only), which is 3.

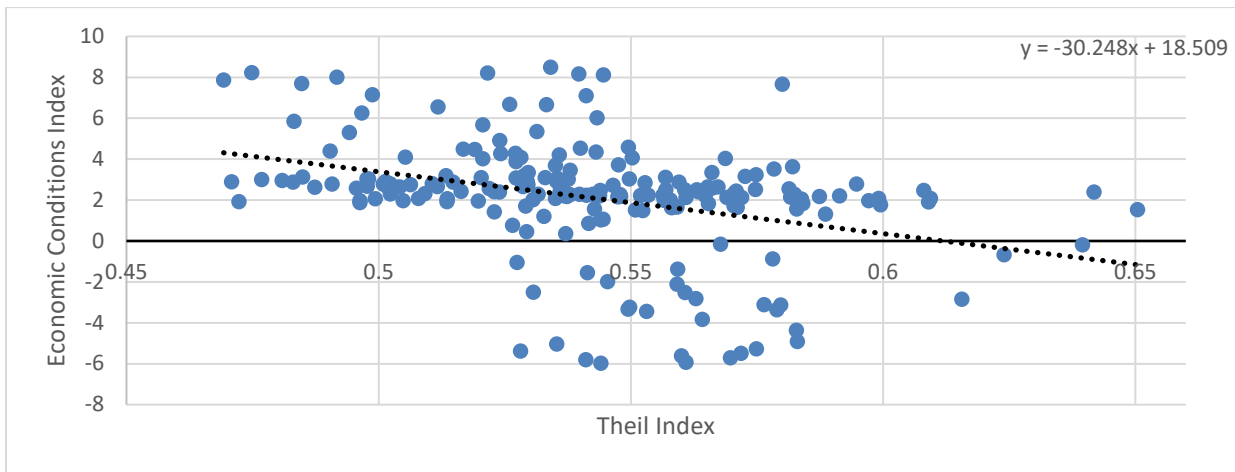
Figure 1. Theil index for Gross Receipts Tax in New Mexico



Source: Tax & Rev’s calculations

The index displays a substantial variability over the sample with significant ups and downs. However, the value of the index has hovered around relatively low levels, suggesting New Mexico’s GRT tax base is relatively diversified. The index also shows a gradual improvement over time, with some of the volatility reflecting changes to oil and natural gas markets. This long-term declining trajectory suggests that GRT has become more diversified. The macroeconomic effects associated with this tax diversification are presented in Figures 2 and 3.

Figure 2. Theil Index vis-a-vis Economic Conditions Index for New Mexico



Source: Tax & Rev’s calculations

In Figure 2, the Theil index for GRT is plotted against an index of State economic conditions that covers multiple dimensions of the state economy.^{11, 12} Figure 2 suggests that a diversified tax

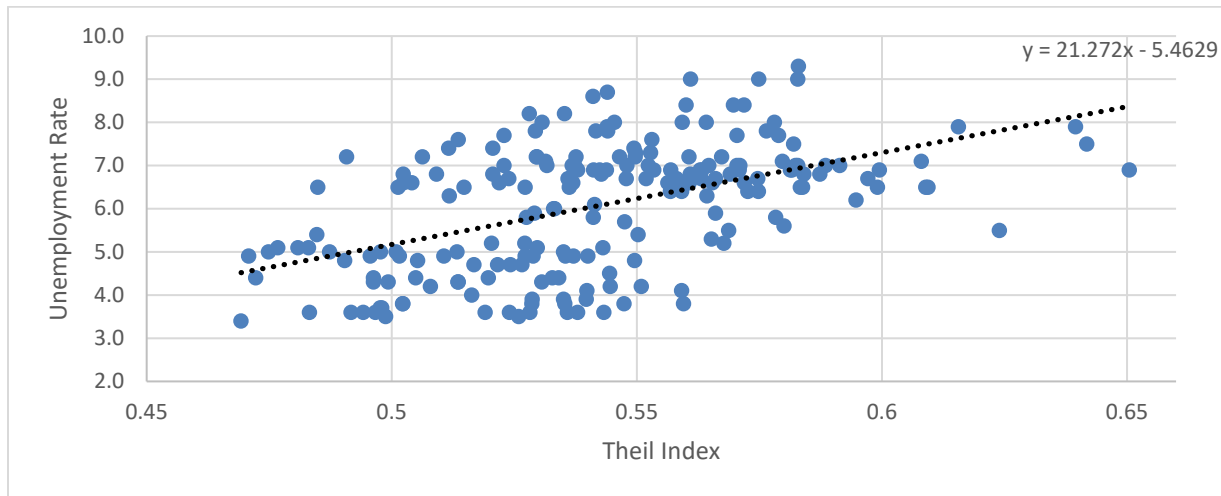
¹¹ Baumeister, Christiane, Danilo Leiva-León, and Eric Sims. 2024. “Tracking weekly state-level economic conditions.” *The Review of Economics and Statistics*, 106, 483–504.

¹² The index of economic conditions includes state level variables grouped by the following categories: mobility measures; labor market indicators; economic activity; economic expectation measures; financial indicators; and household spending. Included in the variables are state-specific characteristics to tailor the measure for each U.S. state. For New Mexico this includes oil rig counts and oil production variables.

structure (a lower Thiel index) correlates with stronger economic conditions (a higher economic conditions index).

Looking at New Mexico’s unemployment rate alone, Figure 3 underscores that a more diverse GRT correlates to a lower unemployment rate.¹³ This correlation validates the premise that a diversified tax base improves labor market conditions, where periods of high unemployment are associated with a higher Thiel Index.

Figure 3. Thiel Index vis-a-vis Unemployment Rate in New Mexico



Source: Tax & Rev’s calculations

New Mexico has enacted some tax reforms to foster a more diversified economy and adopted policies that prevent the natural resource curse and promote sustainable economic growth. Those reforms have aimed at developing new industries focused on leveraging New Mexico’s static comparative advantages to create future dynamic comparative advantages.¹⁴

For example, the State has leveraged its strategic position as a producer of alternative energy sources while enhancing this strategy with technologically advanced industries to lead the energy transition in the US. Additionally, measures have been taken to transfer windfall oil and gas revenues into investments for future needs. While this analysis does not directly tie the impact of tax expenditures to the trend in GRT tax base diversification, the Thiel Index provides a future measure to evaluate the progression of economic and tax revenue diversification with current and future changes to the tax code.

¹³ <https://fred.stlouisfed.org/series/NMUR>

¹⁴ Static comparative advantage is a region’s ability to produce a good at a lower opportunity cost based on its current factor endowment, such as resources and technology. Dynamic comparative advantage is the ability of a region to shift its production pattern over time by developing new skills and industries, rather than being limited by its current endowments.

FEDERAL CONFORMITY AND STATE EXPENDITURES

The scope of this report is limited to state laws that impact the definition, administration, and collection of state tax revenue. New Mexico, like many other states, begins with federal definitions of income, which is referred to as “federal conformity”. These definitions of income flow through to New Mexico Personal Income Tax and Corporate Income and Franchise Tax. Built into the federal definitions of income are federal level tax expenditures that then carry into the New Mexico tax code. For example, the federal reductions to individual gross income include: a deduction for IRA contributions and a deduction for student loan interest. Unless a state income tax law requires these deductions to be added back in to gross income, they are a federal expenditure within the state tax code.

The Federal Government prepares annual expenditures reports which include forecasted revenue impacts. These reports may be found here: <https://home.treasury.gov/policy-issues/tax-policy/tax-expenditures>.

It is often necessary to evaluate state laws in the larger context of federal conformity to determine when the federal code is defining the tax base. For example, the Federal Tax Cuts and Jobs Act in 2017 eliminated the personal exemption for the federal income tax while raising the standard deduction. That change altered the New Mexico income tax base, bringing in more revenue from taxpayers with more dependents, because the increase in the standard deduction was more than offset by the loss of the exemption that used to be allowed for each child. New Mexico and other conforming states were compelled either to accept this new tax base determined by federal law, or to create laws to continue to define the tax base as it was prior to passage of the Tax Cuts and Jobs Act. New Mexico chose to do the latter by creating a dependent deduction. This deduction is therefore not classified as a tax expenditure as it maintained an understood tax base.

Federal conformity eases many state administrative aspects of the income tax programs, and for taxpayers provides more seamless completion of federal and state income tax returns, leading to improved compliance. While New Mexico may choose to decouple from the federal tax base by bringing some federal expenditures back into the tax base, that may come at a cost of increased complexity in compliance and administration for taxpayers and state administration.

BRIEF SUMMARY OF NEW MEXICO'S MAJOR TAXES

PERSONAL INCOME TAX

New Mexico's Personal Income Tax (referred to herein as "Personal Income Tax" or "PIT"¹⁵) contributed about 16% of the State's recurring General Fund revenues in FY2025. Like several other states, New Mexico computes its income tax based on the federal definition of taxable income. This means that New Mexico uses federal adjusted gross income (AGI) as the starting point when determining personal income taxes. New Mexico also ties its standard deduction to the federal tax code. Because these adjustments and deductions are common practice among the states that conform to the federal tax code, and because they are applied broadly to all taxpayers who qualify, they are considered as simply defining the tax base and are not treated as tax expenditures in this report.

New Mexico is one of 27 states with a progressive PIT rate structure. Under the principle of vertical equity, a progressive tax is based on the policy that taxes should, at least in part, reflect ability to pay, and progressive tax systems therefore impose a lower percentage tax rate on lower income taxpayers than on those with a higher income. In contrast, 14 other states have a "flat rate" tax structure, wherein the same percentage tax rate is imposed regardless of income. From tax year 2021 to tax year 2024¹⁶, New Mexico had a five-tier progressive PIT rate structure, as shown in the first of the following two tables¹⁷. During the 2024 legislative session, legislation was enacted to revise the PIT rate structure. The revision included an additional bracket per filing status and changes to the taxable income levels per bracket. The current tax brackets are effective beginning tax year 2025.

2021-2024 New Mexico Tax Rates				
Income Bracket	Married Filing Separately	Head of Household, Surviving Spouses, and Married Filing Jointly	Individuals, Estates, and Trusts	Rate
1	Up to \$4,000	Up to \$8,000	Up to \$5,500	1.7%
2	Over \$4,000 to \$8,000	Over \$8,000 to \$16,000	Over \$5,500 to \$11,000	3.2%
3	Over \$8,000 to \$12,000	Over \$16,000 to \$24,000	Over \$11,000 to \$16,000	4.7%
4	Over \$12,000 to \$157,500	Over \$24,000 to \$315,000	Over \$16,000 to \$210,000	4.9%
5	Over \$157,500	Over \$315,000	Over \$210,000	5.9%

2025-Beyond New Mexico Tax Rates				
Income Bracket	Married Filing Separately	Head of Household, Surviving Spouses, and Married Filing Jointly	Individuals, Estates, and Trusts	Rate
1	Up to \$4,000	Up to \$8,000	Up to \$5,500	1.5%
2	Over \$4,000 to \$12,500	Over \$8,000 to \$25,000	Over \$5,500 to \$16,500	3.2%
3	Over \$12,500 to \$25,000	Over \$25,000 to \$50,000	Over \$16,500 to \$33,500	4.3%
4	Over \$25,000 to \$50,000	Over \$50,000 to \$100,000	Over \$33,500 to \$66,500	4.7%
5	Over \$50,000 to \$157,500	Over \$100,000 to \$315,000	Over \$66,500 to \$210,000	4.9%
6	Over \$157,500	Over \$315,000	Over \$210,000	5.9%

¹⁵ For reference, a list of commonly used acronyms is provided in Appendix B.

¹⁶ Beginning in tax year 2021, a tax bracket has been added at the top with a tax rate of 5.9%.

¹⁷ Statutory reference, 7-2-7 NMSA 1978

When looking at income tax rates under a progressive tax structure, a distinction is made between the marginal tax rate and the average or effective tax rate faced by individuals. Marginal tax rate is the rate of tax charged on a taxpayer’s last dollar of income, while the effective tax rate is the average tax rate paid by the taxpayer on their total gross income.

The following table shows how the marginal and effective rates, for a single individual with an AGI of \$65,000, differ under the New Mexico PIT rate structure. For this individual, the top marginal tax rate is 4.7%, and the total tax paid is \$2,646. The top marginal rate of 4.7% does not mean that the individual paid 4.7% of his AGI in New Mexico income taxes. Due to the progressive nature of the tax structure, the individual paid 1.5% tax on their first \$5,500 of income, 3.2% tax on the next \$11,000 (= \$16,500 - \$5,500) of their income, 4.3% tax on the next \$17,000 (= \$33,500 - \$16,500) of their income and 4.7% tax on the next \$31,500 (= \$65,000-\$33,500). The top marginal rate paid by the individual in this scenario only applies to any income earned over \$33,500, which in this case is \$31,500. As a result, the total tax liability for this individual is 4.1% of their AGI, lower than the top marginal rate of 4.7%. This 4.1% rate is referred to as the individual’s effective or average tax rate.

Income Bracket	Marginal Tax Rate	AGI in this bracket	NM Tax Due
1	1.50%	\$ 5,500	\$ 83
2	3.20%	\$ 11,000	\$ 352
3	4.30%	\$ 17,000	\$ 731
4	4.70%	\$ 31,500	\$ 1,481
Total AGI		\$ 65,000	\$ 2,646
Effective Tax Rate		= Total NM Tax Due/Total AGI (= \$2,646/\$65,000) = 4.1%	

In New Mexico, the overall effective tax rate among all taxpayers during Tax Year 2024 was 2.0%. This varied between residents, at 2.8%, and non-residents, at 0.5%. Non-residents typically have a lower effective tax rate because only a small portion of the non-resident taxpayer’s AGI is apportioned to New Mexico and subject to the state’s PIT.¹⁸ The effective tax rate is computed by dividing the total New Mexico income tax liability of all New Mexico taxpayers for tax year 2023 by the total AGI of all taxpayers. The table below breaks down the effective tax rate by New Mexico taxable income for all taxpayers in New Mexico. Residents include first year residents and non-residents include part-time residents.

¹⁸ "Apportionment" in the context of PIT is the term for determining which state has the authority to tax part of a taxpayer’s income. These rules are also often referred to as "sourcing" rules. The rules of apportionment are designed to approximate which state is the source of the taxable income.

Taxable Income Level	Effective Tax Rate Tax Year 2024		
	Residents	Non-Residents	All Taxpayers
No Taxable Income	0.0%	0.0%	0.0%
Under \$25,000	0.9%	0.4%	0.9%
\$25,000-\$50,000	2.4%	0.9%	2.3%
\$50,000-\$75,000	2.9%	1.1%	2.6%
\$75,000-\$100,000	3.3%	1.2%	2.9%
\$100,000-\$200,000	3.6%	1.0%	3.1%
Over \$200,001	4.2%	0.3%	1.7%
Total	2.8%	0.5%	2.0%
Number of Returns	1,017,853	128,907	1,146,760

Although New Mexico’s personal income tax rates are generally in line with those imposed by other states, the structure of the tax brackets – i.e., the threshold at which each rate takes effect -- varies significantly across states. Given the lack of a standard tax bracket structure, this report does not treat the lower rates imposed on low-income brackets as a tax expenditure. In addition to a lower tax rate for low-income taxpayers, New Mexico offers income tax rebates and credits to low-income taxpayers, such as the Low-Income Comprehensive Tax Rebate and Working Families Tax Credit. These provisions also add to progressivity in New Mexico’s income tax structure and are reported as tax expenditures in this report.¹⁹

New Mexico law also provides several other special tax preferences to its taxpayers that are reported on various forms as supplements to the annual PIT return. A number of these are reported on as tax expenditures in this report.

ENTITY-LEVEL TAX

The entity-level tax is an income tax that is paid in lieu of PIT or CIT by pass-through entities such as partnerships and limited liability companies. Until recent changes to the law, pass-through entities did not pay tax directly; instead, their income was “passed through” to their owners, who each paid PIT or CIT on their portion of the income, as appropriate. That law was changed in response to changes in federal law made by the Tax Cuts and Jobs Act of 2017, and most pass-through entities may now elect to pay income tax on behalf of their owners. Pass-through entities are defined as personal services businesses or certain other business associations, but not including sole proprietorships, estates or corporations. A pass-through entity must make an annual election to pay the entity level tax. The rate of the entity-level tax is equal to the higher of the maximum tax rate imposed by PIT or CIT. Currently the highest tax rates in PIT and CIT are both equal at 5.9%, which

¹⁹ The effective tax rates in the table do not reflect refundable expenditures, money paid out to taxpayers when the refundable credits or rebates exceed their liability. For those taxpayers, their tax rate is a negative rate, as they do not owe taxes but receive revenue due to the progressive tax policy and structure.

is then the rate for the entity-level tax. The entity-level tax was enacted in 2022. The income generated by entity-level payments is assigned to CIT for categorization purposes.

CORPORATE INCOME TAX

The corporate income tax (“CIT”) provided about 6 percent of recurring State General Fund revenue in FY2025. New Mexico’s CIT also conforms to the federal corporate income tax with the same corresponding administrative benefits for taxpayers and the State in its administration.

Section 7-2A-2(C) NMSA 1978 defines "base income" as that part of the taxpayer's federal taxable income, excluding the amount of the net operating loss carryover deduction and including interest received on state or local bonds claimed on the federal tax return. “Net income” is defined as the base income of a corporation filing a tax return as a separate entity, or it is the combined base income and losses of corporations that are part of a filing group when filing a consolidated filing return under the Internal Revenue Code and the Corporate Income and Franchise Tax Act²⁰. The other method of determining a taxpayer’s net income is by using the “unitary reporting” method and includes members of a unitary group as defined by the Corporate Income and Franchise Tax Act. Corporations pay CIT on the amount of their overall income that is apportioned to New Mexico, as discussed below.

Thus, “net income” is defined as the tax base for CIT purposes in New Mexico, and, by application of the income-graduated percentage tax rate, “baseline tax revenue” is defined.

The following table shows the CIT rates from 1987 to present²¹:

Taxable Income	1987-2013	2014	2015	2016	2017	2018-2024	2025 - Beyond
Up to \$500,000	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	5.9%
\$500,000.01 to \$1,000,000	6.4%	6.4%	6.4%	6.4%	6.2%	5.9%	
Over \$1,000,000	7.6%	7.3%	6.9%	6.6%			

During the 2024 legislative session, legislation was enacted to revise the CIT rate structure to a flat rate of 5.9%. The revised tax bracket is effective beginning tax year 2025.

Two general concepts define how corporations file CIT in New Mexico, income apportionment and the method used to file the taxpayer’s return. For income apportionment, New Mexico has adopted the Uniform Division of Income for Tax Purposes Act (UDITPA.)²² When a corporation operates in more than one state, UDITPA defines how to apportion its income among those states. For most corporations, a three-factor formula is applied, which takes an average percentage of the ratios between the property, payroll, and sales factors of the business activity in New Mexico and the corporation’s total business activity everywhere. In 2013, legislation added the single-sales factor apportionment election for manufacturers, followed in 2015 by the single-sales factor apportionment election for companies with their headquarters in New Mexico. Under single-sales factor apportionment, only sales are considered in apportionment; the property and payroll factors are not considered.

²⁰ Effective January 1, 2020 – Section 7-2A-2(M) NMSA 1978.

²¹ Statutory reference, 7-2A-5 NMSA 1978

²² Statutory reference, 7-4-1 NMSA 1978

The type of filing method used looks at the corporate structure and what type of return is required to be filed. 2013 legislation provided the following options for a taxpayer to file its return: separate corporate entity; combination of domestic unitary corporations, water's edge group, or federal consolidated group. If filing as a separate corporate entity, the corporation, regardless of how it filed at the federal level, files its New Mexico return as a stand-alone entity. Effective January 1, 2020, legislation required corporations to file a consolidated or unitary return.

If filing as a combination of domestic unitary corporations, two or more corporations, regardless of how it filed at the federal level, report the combined income of all members of the unitary business. A corporation may file a domestic unitary return. To be included in the unitary group, the corporations must be related through common ownership, and be economically interdependent. Corporations filing a consolidated report must have filed a federal consolidated return. In addition, the legislation required mandatory combined reporting for certain retailers. Corporations that file as a unitary group must use combined reporting unless they properly elect to report and pay tax as a water's-edge or consolidated group. A water's-edge group consists of all corporations that are part of a unitary group²³ and have more than 20 percent of their property, payroll and sales sourced to locations within the United States. A consolidated group is a group of entities properly filing a federal consolidated return under the Internal Revenue Code for the taxable year.

GROSS RECEIPTS TAX

The Gross Receipts Tax (GRT) provided about 31 percent of recurring State General Fund revenue and about 50 percent of local government revenues in FY2025. The State GRT rate, plus various local and tribal option taxes, are imposed on sellers' gross receipts received from engaging in business in the state. As of July 1st, 2022, the statewide GRT rate was lowered from 5.125% to 5%. Another reduction of the state rate from 5% to 4.875% took effect on July 1, 2023.

The incidence of the GRT is on the seller, rather than on the purchaser as is the case in a sales tax. "Gross receipts" is the total amount of money or other consideration generated "from selling property in New Mexico, from leasing or licensing property employed in New Mexico, from granting a right to use a franchise employed in New Mexico, from selling services performed outside of New Mexico, the product of which is initially used in New Mexico, or from performing services in New Mexico"²⁴. As of July 1, 2019, a person or company is "engaging in business" in New Mexico if it meets certain physical presence requirements or had at least \$100,000 in taxable gross receipts sourced to New Mexico in the prior calendar year.

The GRT is ideally a broad-based tax imposed on businesses for the sale of tangible property and services; New Mexico is one of three states that taxes all services (the others being Hawai'i and South Dakota). The GRT base is reduced by many exemptions and deductions. These provisions are intended to achieve a variety of public policy purposes, as discussed further in this report. Some are necessary to prevent multiple taxation of transactions, either within the GRT or between the GRT and other tax programs, to prevent the associated economic distortion that could result. Examples of multiple taxation within the GRT, usually called "pyramiding", are the gross receipts taxation of certain business inputs, which are subject to tax when purchased as an input, and then again when

²³ As defined under Section 7-2A-2 AA NMSA 1978, a unitary group is a group of two or more corporations, with certain exceptions, that are related through common ownership and economically interdependent with one another based on the factors of centralized management, functional integration, and economics of scale.

²⁴ Section 7-9-3.5(A)(1) NMSA 1978.

the final product in which the inputs are included is sold. A special deduction for receipts from goods or services sold for resale is designed to also avoid double taxation. Additionally, the Legislature enacted legislation eliminating almost of the potential pyramiding for sales of tangible personal property or professional services to manufacturers. Multiple taxation between tax programs is prevented through various exemptions and deductions including personal income taxation of wages, dividends, and interest, and transactions taxed under separate excise taxes are exempted from the gross receipts tax. As noted below under excise taxes, certain excise taxes such as liquor and cigarette tax are paid in addition to gross receipts tax.

Several deductions and exemptions are not treated as tax expenditures in this report, but instead are considered to be defining the tax base. Examples of defining the tax base include “anti-pyramiding” provisions like the deduction for the sale of property for resale. In that case, the tax base is being defined as receipts from retail, or final, sales, rather than wholesale sales.²⁵ The GRT has been characterized as imposing a heavier-than-normal tax on business inputs.²⁶ Deductions, like the deduction for the sale of goods for re-sale, reduce multiple levels of taxation and ensure that the tax policy principles of horizontal equity and efficiency are met.

GRT tax expenditures in this report are calculated using a weighted average gross receipts tax rate. The average GRT rates, shown in the following table, were calculated using the gross tax amount divided by the amount of matched taxable gross receipts. Data is drawn from the Taxation and Revenue Department’s RP-500 report. Expenditures that have a local government impact are estimated based on the fiscal year average of the split between local government and state revenues. Actual rates vary widely among local governments.

Average Statewide GRT Rate by State Rate and Local Option

Average Statewide GRT Rate	
FY19	7.12%
FY20	7.01%
FY21	7.10%
FY22	7.23%
FY23	7.05%
FY24	6.94%
FY25	6.94%

The RP-500 report is published monthly to the Department’s website, detailing distributions made to each municipality, county, tribal entity, and certain other political subdivisions for the month in which the business activity took place. The RP-500 report breaks distributions into either the current activity month or all other months; changes to prior months can result from late tax reporting or amended tax returns. As an example, if a taxpayer amends returns for six months in the reporting month of September, the amended returns will affect distributions made in October and would be reported under “Other Months” in the RP-500 report. The RP-500 is not updated with the effects of

²⁵ The sale for resale deduction reduces pyramiding. Further, by making the GRT operate in some ways as a retail sales tax, deductions such as this mean that New Mexico’s GRT is really a hybrid of a gross receipts tax and a retail sales tax, and not a pure gross receipts tax.

²⁶ For example, see Council on State Taxation, “*The Best and Worst of State Sales Tax Systems.*”

taxpayer amendments on older returns. Instead, they are aggregated into the “Other Months” category.

The RP-500 also contains summarized information from returns by major industry group²⁷. Although a valuable resource on industry contributions to the tax base, users of this information should be aware that it provides only an approximate measure of the types of economic activity in the tax base. For example, a taxpayer may report that they are primarily a retail enterprise, but they may carry on a variety of commercial activities such as real estate management, wholesale trade, transportation and warehousing, etc. Receipts from their various activities sourced to the same business location will generally be combined and reported under their primary industry code. Furthermore, taxpayers self-report their industry group, and are not penalized for inaccurate information. Self-reported data may be unreliable.

As discussed further below, the GRT base, referred to as “taxable gross receipts” or “TGR”, is determined by subtracting from gross receipts any receipts that are eligible to be exempted or deducted. Exemptions are not reported to the Department. As a rule, taxpayers do not separately state the amount of receipts that are deductible pursuant to each provision of the tax code. Rather, most deductions are lumped together, except for those noted below that must be separately reported. By allowing deductions to be reported together, the tax code is less transparent, but it is simpler for taxpayers to comply.

For fiscal year 2025, there are 33 “special deduction codes” identified in the GRT return instructions that are statutorily required to be separately reported. Taxpayers are informed that they must use the special code to claim the relevant deduction. When not in violation of confidentiality requirements, the data from the amounts reported under these codes are presented in this report to estimate fiscal impacts of the associated deductions. However, these estimates should be treated with caution because taxpayers are not penalized if they select the wrong deduction code. Tax & Rev takes steps to ensure accurate reporting of separately stated deductions, but, due to the lack of penalty for misreporting, cannot be completely certain.

GOVERNMENTAL GROSS RECEIPTS TAX

The governmental gross receipts tax is imposed on the receipts from specified activities of every agency, institution, instrumentality or political subdivision of New Mexico state, except any school district and licensed entities engaged in providing health care services, excluding hospitals. The statewide governmental gross receipts tax rate is 5%. Governmental gross receipts include, for example, the sale by public entities of certain tangible personal property, services, and utilities. Tax & Rev distributes the governmental gross receipts tax to the Public Project Revolving Fund at the New Mexico Finance Authority, the Energy, Minerals and Natural Resources Department, the Department of Cultural Affairs, and the State General Fund.

COMPENSATING TAX

The compensating tax provided about 0.6 percent of State General Fund revenue in FY2025. The compensating tax is imposed on the use of tangible property and the product of certain services in New Mexico. As of July 1st, 2022, the statewide compensating tax rate was lowered from 5.125% to

²⁷ Taxpayers self-identify their industry by the appropriate North American Industrial Classification System or “NAICS” Code.

5%. Another reduction from 5% to 4.875% took effect on July 1, 2023. This tax is New Mexico's version of a "use" tax, which is a mechanism states use to ensure that purchases from outside of the state do not compete unfairly with purchases from in-state retailers due to not being subject to the state GRT. Unlike the GRT, the legal incidence of the compensating tax is on the purchaser. Typically, the compensating tax is imposed on New Mexico businesses when they purchase from out-of-state vendors who lack nexus with New Mexico and are therefore not required to register with the Department and pay GRT.²⁸ Because of the expansive nature of the GRT, many of the deductions from the compensating tax base can be thought of as simply defining the tax base.

Legislation enacted in 2019 provided for a local option compensating tax rate equivalent to the respective local option GRT rate, effective July 1, 2021.

With New Mexico applying its gross receipts tax to internet sellers and other sellers without physical presence in the state as of July 1, 2019, more receipts are subject to the gross receipts tax, and therefore fewer are subject to the compensating tax.

SPECIAL EXCISE TAXES

Special excise taxes provided about 6 percent of State General Fund revenues in FY2025.²⁹ A special excise tax is defined as a special tax on specific goods or activities, unlike a broad consumption tax such as the GRT.³⁰ New Mexico has many special excise taxes. Some of these taxes are in lieu of the GRT, such as the gasoline tax. Others, such as the cigarette tax, are in addition to the GRT. Some special excise taxes fall on different stages of the production or marketing chain; for example, the liquor excise tax is imposed on wholesalers of alcoholic beverages, whereas the GRT is imposed on the retailer. As is the case with the GRT and the compensating tax, New Mexico's special excise taxes contain several provisions that define the tax base to prevent double taxation or tax pyramiding. Examples include the exemption for sales of cigarettes on tribal lands to tribal members, which is designed to avoid the taxation of the same transaction by competing tax authorities. Some of these parameters of the tax base arise from the U.S. or New Mexico Constitutions, which forbid or preempt the State from imposing its taxes on a particular activity, sale, or property.

The Cannabis Excise Tax came into effect on April 1, 2022, for adult use retail cannabis sales. The excise tax is imposed on the retailer for the taxable value of adult use cannabis products, in addition to the gross receipts tax. Receipts from medical cannabis sales are not subject to the cannabis excise tax and may be deducted from gross receipts tax under the prescription drug deduction. Two-thirds of the revenue from the tax is distributed to the General Fund, and one-third is distributed to local governments.

²⁸ An out-of-state business has nexus with New Mexico if, in the previous calendar year, it had taxable gross receipts of \$100,000 or more in New Mexico. Compensating tax may also be owed when the user of property or the product of a service converts the use from a non-taxable to a taxable use. For example, a retailer may buy cleaning products for resale in its store, which would be deductible, but then use some of the products to clean its own facilities. Once the product is no longer available for resale the deduction does not apply, and the purchaser of the product owes compensating tax on the amount it paid for the product.

²⁹ This figure includes the revenue from: Cigarette Tax; Tobacco Products Tax; Liquor Excise Tax; Cannabis Excise Tax; Insurance Premium Tax; Motor Vehicle Excise Tax; and Gaming Tax.

³⁰ Technically, the GRT is also an excise tax, but of general application; "special excise taxes" as used herein refer to specialized excise taxes.

Over time, the excise tax rate will rise to a maximum rate of 18%, as detailed in the table below:

Fiscal Year	Excise Tax Rate
FY22-FY25	12%
FY26	13%
FY27	14%
FY28	15%
FY29	16%
FY30	17%
FY31 and on	18%

NATURAL RESOURCE EXTRACTION TAXES

Natural resource extraction taxes provided about 9.4 percent of recurring State General Fund revenues in FY2025. New Mexico imposes a variety of taxes on the privilege of severing natural resources and the associated production activities related to those natural resources. The tax base is generally defined as the value of the products at the extraction site. The final taxable values are reduced for several deductions. In addition, some taxes apply different tax rates based on the natural resource, which this report defines as “rate differentials”. The largest of the deductions associated with these taxes are for royalties paid to federal, Indian, and state owners of the minerals. Because the State is preempted by federal law from imposing tax on these entities — or because it wouldn’t be reasonable for the State to tax itself — these are not treated as tax expenditures. Other provisions, aimed at stimulating particular types of production, continue to be treated as tax expenditures. Rate differentials previously absent from the report have been incorporated in this year’s edition.

Other tax expenditures for oil and natural gas listed in this report incentivize continued production when prices drop below specific thresholds. Because prices have generally exceeded the threshold values that would trigger these incentives, those expenditures remain at zero in this report, as they have been for over 10 years.

PROPERTY TAX

Property tax does not provide any revenue to the State’s General Fund; but it is an important source of revenue for operations and capital expenditures for the State, local governments, school districts, and other political subdivisions. The property tax code features several limitations and exclusions that reduce the tax burden on various groups of property owners for various reasons. Some of these are broad-based and are not treated as tax expenditures in this report. Examples include the exclusion from tax of personal property and the 3% limit on annual value growth for residential property. Many property tax deductions and limitations are provided for in the state Constitution and therefore are also not included as tax expenditures, because the Constitution is deemed to define the tax base. Other statutory property tax provisions that target specific populations are included. Because most property taxes are assessed, collected and distributed at the county level, Tax & Rev does not detail the fiscal impact of property tax expenditures by specific revenue recipients but provides a high-level fiscal impact.

PERSONAL INCOME TAX AND CORPORATE INCOME TAX DATA BY TAX YEARS

The following tables provide an aggregate breakdown of New Mexico’s personal income tax by taxable income, estimated tax on taxable income, and the number of returns for tax years 2023 and 2024. The 2023 table may differ from that published in last year’s report as a result of extended filers

and amended returns. Typically, higher income filers are more likely to extend their filing date to October 15 of each year; as such, revisions to the prior year will be most dramatic in the higher income brackets.

Similarly, two tables for New Mexico's corporate income tax are provided. The data is grouped by taxpayers' self-reported 2-digit NAICS code, taxable income, estimated tax on taxable income and the number of returns for tax years 2022 and 2023. As with personal income tax, 2022 data may differ from that published in last year's report due to extended filers and amended returns.

Personal Income Tax by Income Bracket Table – Tax Year 2023 Data

All Tax Filers						
Income Bracket	Number of Returns	Percent of Returns	New Mexico Taxable Income	Percent of NM Taxable Income	Estimated Tax on Taxable Income	Percent of Estimated Tax
No Taxable Income	342,124	30.62%	\$0	0.00%	\$0	0.00%
Under \$25,000	257,794	23.07%	\$3,113,421,403	1.81%	\$84,519,768	3.83%
\$25,000-\$50,000	176,865	15.83%	\$6,433,666,362	3.75%	\$233,977,416	10.61%
\$50,000-\$75,000	100,861	9.03%	\$6,187,821,620	3.61%	\$236,131,534	10.71%
\$75,000-\$100,000	62,428	5.59%	\$5,412,501,132	3.15%	\$208,399,246	9.45%
\$100,000-\$200,000	105,991	9.49%	\$14,698,095,394	8.57%	\$548,412,974	24.87%
Over \$200,001	71,301	6.38%	\$135,720,370,893	79.11%	\$893,634,777	40.53%
Total	1,117,364	100.00%	\$171,565,872,457	100.00%	\$2,205,088,668	100.00%
Single Filers						
No Taxable Income	193,535	34.65%	\$0	0.00%	\$0	0.00%
Under \$25,000	161,287	28.88%	\$1,945,657,839	5.22%	\$56,272,965	8.59%
\$25,000-\$50,000	99,592	17.83%	\$3,573,637,654	9.59%	\$135,160,406	20.63%
\$50,000-\$75,000	44,189	7.91%	\$2,689,128,256	7.22%	\$105,639,102	16.12%
\$75,000-\$100,000	23,064	4.13%	\$1,997,243,401	5.36%	\$78,648,048	12.00%
\$100,000-\$200,000	25,692	4.60%	\$3,405,109,666	9.14%	\$126,975,733	19.38%
Over \$200,001	11,165	2.00%	\$23,655,412,039	63.48%	\$152,503,265	23.28%
Total	558,524	100.00%	\$37,266,188,856	100.00%	\$655,204,014	100.00%
Head of Household Filers						
No Taxable Income	69,416	41.18%	\$0	0.00%	\$0	0.00%
Under \$25,000	48,102	28.54%	\$539,408,723	8.27%	\$13,035,169	8.95%
\$25,000-\$50,000	25,799	15.31%	\$936,513,019	14.35%	\$33,521,898	23.02%
\$50,000-\$75,000	12,743	7.56%	\$776,292,387	11.90%	\$30,111,254	20.68%
\$75,000-\$100,000	5,762	3.42%	\$494,903,848	7.58%	\$19,516,078	13.40%
\$100,000-\$200,000	5,092	3.02%	\$667,066,340	10.22%	\$26,205,102	17.99%
Over \$200,001	1,644	0.98%	\$3,110,816,432	47.68%	\$23,249,033	15.96%
Total	168,558	100.00%	\$6,525,000,749	100.00%	\$145,639,675	100.00%
Married Filing Joint & Surviving Spouse Filers						
No Taxable Income	75,621	20.27%	\$0	0.00%	\$0	0.00%
Under \$25,000	44,389	11.90%	\$572,761,367	0.47%	\$13,378,057	0.98%
\$25,000-\$50,000	47,702	12.79%	\$1,785,366,668	1.47%	\$59,898,994	4.40%
\$50,000-\$75,000	41,822	11.21%	\$2,592,892,863	2.13%	\$95,182,065	7.00%
\$75,000-\$100,000	32,311	8.66%	\$2,809,076,696	2.31%	\$105,951,206	7.79%
\$100,000-\$200,000	73,740	19.77%	\$10,429,226,021	8.56%	\$388,002,905	28.52%
Over \$200,001	57,393	15.39%	\$103,602,826,281	85.07%	\$698,005,955	51.31%
Total	372,978	100.00%	\$121,792,145,547	100.00%	\$1,360,425,961	100.00%
Married Filing Separate Filers						
No Taxable Income	3,552	20.53%	\$0	0.00%	\$0	0.00%
Under \$25,000	4,016	23.21%	\$55,593,473	0.93%	\$1,833,577	4.18%
\$25,000-\$50,000	3,772	21.80%	\$138,149,022	2.31%	\$5,396,118	12.31%
\$50,000-\$75,000	2,107	12.18%	\$129,508,114	2.16%	\$5,199,113	11.86%
\$75,000-\$100,000	1,291	7.46%	\$111,277,187	1.86%	\$4,283,914	9.78%
\$100,000-\$200,000	1,467	8.48%	\$196,693,367	3.29%	\$7,229,234	16.50%
Over \$200,001	1,099	6.35%	\$5,351,316,141	89.45%	\$19,876,525	45.36%
Total	17,304	100.00%	\$5,982,537,305	100.00%	\$43,819,019	100.00%

Personal Income Tax by Income Bracket Table – Tax Year 2024 Data

All Tax Filers						
Income Bracket	Number of Returns	Percent of Returns	New Mexico Taxable Income	Percent of NM Taxable Income	Estimated Tax on Taxable Income	Percent of Estimated Tax
No Taxable Income	323,977	28.25%	\$0	0.00%	\$0	0.00%
Under \$25,000	244,548	21.33%	\$2,967,244,682	3.86%	\$80,967,544	3.71%
\$25,000-\$50,000	257,900	22.49%	\$9,327,944,822	12.13%	\$353,940,284	16.20%
\$50,000-\$75,000	97,371	8.49%	\$5,967,782,688	7.76%	\$229,741,102	10.51%
\$75,000-\$100,000	60,737	5.30%	\$5,268,496,419	6.85%	\$204,248,279	9.35%
\$100,000-\$200,000	105,647	9.21%	\$14,658,717,678	19.06%	\$559,703,899	25.62%
Over \$200,001	56,580	4.93%	\$38,707,760,291	50.34%	\$756,358,158	34.62%
Total	1,146,760	100.00%	\$76,897,946,581	100.00%	\$2,184,968,126	100.00%
Single Filers						
No Taxable Income	183,899	29.24%	\$0	0.00%	\$0	0.00%
Under \$25,000	153,522	24.41%	\$1,865,346,995	8.12%	\$54,195,796	7.02%
\$25,000-\$50,000	185,586	29.51%	\$6,657,617,498	28.99%	\$261,304,089	33.83%
\$50,000-\$75,000	44,936	7.15%	\$2,732,193,097	11.90%	\$108,435,010	14.04%
\$75,000-\$100,000	24,476	3.89%	\$2,119,723,532	9.23%	\$84,178,400	10.90%
\$100,000-\$200,000	27,448	4.36%	\$3,635,507,593	15.83%	\$140,495,008	18.19%
Over \$200,001	9,035	1.44%	\$5,958,733,372	25.94%	\$123,678,283	16.01%
Total	628,902	100.00%	\$22,969,122,088	100.00%	\$772,289,472	100.00%
Head of Household Filers						
No Taxable Income	68,217	41.09%	\$0	0.00%	\$0	0.00%
Under \$25,000	46,523	28.02%	\$529,010,628	12.47%	\$12,878,374	9.02%
\$25,000-\$50,000	25,931	15.62%	\$941,956,245	22.21%	\$33,707,021	23.61%
\$50,000-\$75,000	12,870	7.75%	\$782,909,160	18.46%	\$30,330,211	21.25%
\$75,000-\$100,000	5,930	3.57%	\$510,090,701	12.03%	\$20,022,165	14.03%
\$100,000-\$200,000	5,282	3.18%	\$691,918,810	16.31%	\$27,458,479	19.24%
Over \$200,001	1,254	0.76%	\$785,176,316	18.51%	\$18,339,868	12.85%
Total	166,007	100.00%	\$4,241,061,860	100.00%	\$142,736,129	100.00%
Married Filing Joint & Surviving Spouse Filers						
No Taxable Income	68,605	20.41%	\$0	0.00%	\$0	0.00%
Under \$25,000	40,826	12.14%	\$522,473,408	1.08%	\$12,216,045	0.99%
\$25,000-\$50,000	42,932	12.77%	\$1,602,000,762	3.31%	\$53,900,606	4.36%
\$50,000-\$75,000	37,469	11.15%	\$2,324,044,328	4.80%	\$85,753,702	6.93%
\$75,000-\$100,000	29,117	8.66%	\$2,533,923,642	5.24%	\$95,811,298	7.75%
\$100,000-\$200,000	71,500	21.27%	\$10,141,454,998	20.97%	\$384,423,070	31.09%
Over \$200,001	45,736	13.60%	\$31,245,987,958	64.60%	\$604,461,089	48.88%
Total	336,185	100.00%	\$48,369,885,096	100.00%	\$1,236,571,118	100.00%
Married Filing Separate Filers						
No Taxable Income	3,256	20.78%	\$0	0.00%	\$0	0.00%
Under \$25,000	3,677	23.47%	\$50,413,651	3.83%	\$1,677,329	5.03%
\$25,000-\$50,000	3,451	22.03%	\$126,370,316	9.59%	\$5,028,568	15.07%
\$50,000-\$75,000	2,096	13.38%	\$128,636,104	9.76%	\$5,222,179	15.65%
\$75,000-\$100,000	1,214	7.75%	\$104,758,543	7.95%	\$4,236,416	12.69%
\$100,000-\$200,000	1,417	9.05%	\$189,836,277	14.40%	\$7,327,343	21.96%
Over \$200,001	555	3.54%	\$717,862,646	54.47%	\$9,878,917	29.60%
Total	15,666	100.00%	\$1,317,877,537	100.00%	\$33,371,406	100.00%

CORPORATE INCOME TAX BY INCOME BRACKET TABLE – TAX YEAR 2022 DATA

2-Digit NAICS Code	2022 Industries	Zero or Less Taxable Income		Taxable Income Less Than \$500K		Taxable Income Between \$500K & \$1,000K		Taxable Income over \$1,000K	
		Tax-payers	Tax Paid	Tax-payers	Tax Paid	Tax-payers	Tax Paid	Tax-payers	Tax Paid
11	Agriculture, Fishery and Hunting	2,649	\$0	154	\$463,731	<3	--	10	\$3,419,113
21	Oil and Gas and Other Mining	4,516	\$0	300	\$904,138	18	\$703,360	47	\$188,888,156
22	Utilities	338	\$0	35	\$166,504	4	\$118,523	4	\$2,112,328
23	Construction	5,987	\$0	403	\$1,215,077	24	\$947,570	17	\$3,208,013
31-33	Manufacturing	2,393	\$0	676	\$2,528,182	48	\$1,609,793	105	\$96,361,782
41-42	Wholesale Trade	1,959	\$0	534	\$1,691,929	32	\$1,143,265	61	\$42,597,542
44-45	Retail Trade	3,571	\$0	340	\$1,306,240	36	\$1,257,184	47	\$33,251,294
48-49	Transportation & Warehousing	1,688	\$0	181	\$460,037	13	\$541,651	17	\$34,920,294
51	Information	1,203	\$0	243	\$735,718	15	\$02,172	28	\$20,485,840
52	Finance & Insurance	10,431	\$0	920	\$2,529,827	45	\$1,628,204	100	\$73,801,624
53	Real Estate & Rental & Leasing	16,910	\$0	551	\$1,163,843	16	\$562,147	21	\$5,290,036
54	Professional, Scientific & Technical	8,923	\$0	1016	\$1,669,424	30	\$1,037,491	40	\$9,415,645
55	Management of Companies & Enterprises	1,977	\$0	593	\$2,370,972	50	\$1,814,868	111	\$37,192,970
56	Admin & Support & Waste Mgt Remediation	2,124	\$0	227	\$474,461	6	\$194,028	10	\$2,120,007
61	Educational Services	406	\$0	54	\$109,625	0	\$0	<3	--
62	Health Care & Social Assistance	3,942	\$0	145	\$353,841	6	\$205,010	13	\$2,413,932
71	Arts, Entertainment, & Recreation	1,494	\$0	73	\$113,998	<3	--	4	\$457,183
72	Accommodation & Food Service	2,659	\$0	127	\$424,109	<3	--	7	\$1,387,505
81	Other Services except Public Administration	2,597	\$0	222	\$383,394	<3	--	<3	--

Table Notes: "-" means data is redacted due to fewer than 3 taxpayers; Only businesses that reported a valid NAICS codes are included in the Table Above.

CORPORATE INCOME TAX BY INCOME BRACKET TABLE – TAX YEAR 2023 DATA

2-Digit NAICS Code	2023 Industries	Zero or Less Taxable Income		Taxable Income Less Than \$500K		Taxable Income Between \$500K & \$1,000K		Taxable Income over \$1,000K	
		Tax-payers	Tax Paid	Tax-payers	Tax Paid	Tax-payers	Tax Paid	Tax-payers	Tax Paid
11	Agriculture, Fishery and Hunting	2,561	0	106	\$279,688	7	\$224,792	4	\$1,243,592
21	Oil and Gas and Other Mining	21	0	171	\$469,203	7	\$264,932	25	\$79,817,813
22	Utilities	336	0	21	\$49,183	<3	-	4	\$321,836
23	Construction	5,676	0	246	\$635,548	11	\$402,958	13	\$3,676,546
31-33	Manufacturing	2,214	0	365	\$1,159,452	<3	-	40	\$50,823,766
41-42	Wholesale Trade	1,809	0	325	\$695,197	11	\$425,859	24	\$5,133,744
44-45	Retail Trade	3,331	0	208	\$597,040	11	\$345,508	24	\$15,984,524
48-49	Transportation & Warehousing	1,598	0	108	\$262,825	5	\$178,049	7	\$10,691,497
51	Information	1,117	0	134	\$209,427	<3	--	11	\$13,327,171
52	Finance & Insurance	8,706	0	532	\$1,214,814	23	\$823,988	38	\$11,798,110
53	Real Estate & Rental & Leasing	16,331	0	394	\$667,330	8	\$274,412	11	\$4,411,431
54	Professional, Scientific & Technical	8,299	0	699	\$867,500	10	\$328,101	19	\$4,690,737
55	Management of Companies & Enterprises	1,702	0	345	\$1,198,483	29	\$1,025,662	49	\$39,097,122
56	Admin & Support & Waste Mgt Remediation	1,989	0	144	\$136,102	4	\$136,756	60	\$1,130,246
61	Educational Services	402	0	30	\$72,766	<3	--	<3	--
62	Health Care & Social Assistance	3,821	0	104	\$217,174	<3	--	9	\$1,528,590
71	Arts, Entertainment, & Recreation	1,417	0	45	\$91,593	<3	--	<3	--
72	Accommodation & Food Service	2,511	0	80	\$247,249	4	\$170,853	3	\$410,678
81	Other Services except Public Administration	2,431	0	167	\$183,354	<3	--	<3	--

Table Notes: "-" means data is redacted due to fewer than 3 taxpayers; Only businesses that reported a valid NAICS codes are included in the Table Above.

TAX EXPENDITURES

Tax expenditures are presented in alphabetical order. The table of contents provides an alphabetized list of the expenditures. To find a specific expenditure based on its statutory citation, use the index at the end of the report.

ADDITIONAL INCOME TAX REBATE 2021 TAX YEAR FILING

Category: Citizen Benefits

Brief Description: Resident taxpayers who are not dependents of another taxpayer are eligible for a tax rebate having filed or when filing their tax year 2021 PIT return. The rebate is \$1,000 for heads of household, surviving spouses, and married individuals filing jointly and \$500 for single individuals and married individuals filing separately. The rebate is not allowed for 2021 PIT returns filed after May 31, 2024.

Statutory Basis: 7-2-7.7 NMSA 1978

Intended Purpose: To equitably distribute surplus State General Fund revenue to every resident taxpayer in New Mexico while supporting New Mexicans coping with continued high costs of inflation.

History: Originally enacted in 2023.

Evaluation: None.

Recommendation: None.

Reliability Factor:  1 – This rebate is separately reported. No estimation is required.


Fiscal Impact:

	Tax Year (Calendar)	2021	2022 -2024	
	2021 Additional Income Tax Rebate	Claims	966,329	NA
Expenditure (thousands)		\$705,301		
Fiscal Year		2023	2024	2025
Claims		951,931	13,784	564
Expenditure (thousands)		\$694,320	\$10,039	\$909

AFFORDABLE HOUSING CREDIT AGAINST MODIFIED COMBINED TAX, PIT, OR CIT

Category:	Citizen Benefits
Brief Description:	<p>A tax credit may be claimed against GRT (less local option gross receipts taxes), compensating tax (less local option compensating taxes), withholding, PIT, CIT, E911, and interstate telecommunications gross receipts tax for investments in affordable housing projects equal to 50% of the amount of cash invested or the fair market value of the land, buildings, materials, or services relating to such projects. The credit cannot be claimed for the governmental gross receipts taxes. This tax expenditure is available to taxpayers receiving a tax credit voucher issued by the New Mexico Mortgage Finance Authority (MFA).</p> <p>The tax credit voucher program is administered by the MFA and is based on donations made to affordable housing projects approved by MFA and the Affordable Housing Charitable Trust. The maximum amount for this expenditure is calculated annually by multiplying a base rate, adjusted for inflation, and the state's population. For tax year 2024, the maximum is approximately \$5.7 million. Donations may include land, buildings, materials, cash or services. Cash equivalents such as store credit or waived invoices are considered a cash donation. Donations received by the project sponsor in exchange for tax credits may be used to fund the acquisition, substantial rehabilitation, and/or new construction of affordable housing projects throughout the state, including down payment and closing cost assistance for acquisition of affordable single-family housing. No minimum or maximum dollar limits are placed on donations made directly to the Affordable Housing Charitable Trust.</p> <p>The credit is not refundable but may be carried forward for up to five years.</p>
Statutory Basis:	7-91 <i>et seq.</i> NMSA 1978
Intended Purpose:	To incentivize the construction of affordable housing projects.
History:	Originally enacted in 2005 and amended in 2010 and 2015. The 2010 amendment to the Affordable Housing Tax Credit Act expanded where eligible "affordable housing projects" can be located from counties with a population of less than 100,000 to all counties and to include materials as an allowable investment.
Evaluation:	Every year since the inception of the credit, the MFA program has approved affordable housing projects eligible for contributions and applications for the credit. During the same time, claims for the credit have grown from an average of 14 in the first seven years, to 181 in the last three tax years. For the most recent tax years, these contributions have supported 3 to 4 housing projects per year for a total of over 400 affordable housing units.

Recommendations: None.


Reliability Factor:  1 - This credit is separately reported. No estimation is required. The data source for projects and units supported through the credit is the New Mexico MFA.

Fiscal Impact:

Affordable Housing Credit against modified combined tax, PIT or CIT	Tax Year (Calendar)	2022	2023	2024
	Claims	179	192	179
	Projects Supported	4	4	3
	Units	206	73	128
	Expenditure (thousands)	\$1,340	\$612	\$327
	Fiscal Year	2023	2024	2025
	Claims	186	210	209
	Expenditure (thousands)	\$449	\$1,523	\$310

AGRICULTURAL BIOMASS CREDIT AGAINST PIT AND CIT

Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>A dairy or feedlot owner is eligible for a credit of \$5 for each wet ton of agricultural biomass that is transported from the owner's dairy or feedlot to a facility that uses agricultural biomass to generate electricity or make fuels for commercial use. The aggregate annual combined total of all agricultural biomass PIT and CIT credits is capped at \$5,000,000. Taxpayers receive certification of their project for a credit from EMNRD.</p> <p>For purposes of the credit:</p> <ol style="list-style-type: none">(1) "agricultural biomass" means wet manure meeting specifications established by EMNRD from either a dairy or feedlot commercial operation;(2) "biocrude" means a non-fossil form of energy that can be transported and refined using existing petroleum refining facilities and that is made from biologically derived feedstocks and other agricultural biomass;(3) "feedlot" means an operation that fattens livestock for market; and(4) "dairy" means a facility that raises livestock for milk production. <p>The credit is not refundable but may be carried forward for up to four years or transferred to another taxpayer. The credit is applicable for taxable years after January 1, 2011 and ending prior to January 1, 2030.</p>
Statutory Basis:	7-2-18.26 and 7-2A-26 NMSA 1978
Intended Purpose:	To incentivize the sale and use of agricultural biomass as a fuel.
History:	Originally enacted in 2010. Amended in 2020 and 2025. The 2020 amendment extended the sunset date to January 1, 2030. The 2025 amendment revised the procedures for the certification of eligibility and clarified statute language.
Evaluation:	In the past, EMNRD received applications for this tax credit and issued approved certificates. Due to credit transferability, Tax & Rev received numerous inquiries regarding this credit from both in-state and out-of-state tax credit brokers. The certificates issued have all been transferred. High levels of transfers may indicate that the incentive is not properly scoped to the taxpayers most directly involved in the desirable behavior.
Recommendations:	Continue to monitor and evaluate credit utilization and credit transfers to determine whether the incentive is effective in stimulating the desired outcome.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Agricultural Biomass Credit against PIT or CIT	Tax Year (Calendar)	2022	2023	2024
	Claims	0	5	0
	Expenditure (thousands)	\$0	\$267	\$0
	Fiscal Year	2023	2024	2025
	Claims	4	0	5
	Expenditure (thousands)	\$75	\$0	\$267

AIRCRAFT SALES OR SERVICES GRT DEDUCTION

Category: Economic Development

Brief Description: Receipts from selling, maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier over ten thousand pounds gross landing weight are deductible from gross receipts.


Statutory Basis: 7-9-62.1 NMSA 1978

Intended Purpose: To incentivize a more robust commercial and military aircraft industry in New Mexico.

History: Originally enacted in 2000 and amended in 2005. Amended in 2014 to expand the deduction by adding the sale of an aircraft over 10,000 pounds to the activities that are deductible. A separate reporting requirement was added. The 2025 amendment revised reporting requirements and removed certain obsolete language.

Evaluation: None.

Recommendations: None.

Reliability Factor:  2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. Tax & Rev will be further analyzing this data and taxpayer reporting of the GRT deductions.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
	Taxpayers	50	69	72
Aircraft Sales or Services GRT Deduction	State General Fund Expenditure (thousands)	\$1,667	\$4,273	\$4,522
	Local Government Expenditure (thousands)	\$1,066	\$2,849	\$3,015

ALTERNATIVE ENERGY PRODUCT MANUFACTURERS CREDIT AGAINST MODIFIED COMBINED TAX

Category: Economic Development

Brief Description: Manufacturers of certain alternative energy products who hire at least one new employee for every \$500,000 in qualified expenditures (up to \$30 million) and for every \$1,000,000 in qualified expenditures (over \$30 million) may receive a tax credit not to exceed 5% of qualified expenditures for purchase of manufacturing equipment used in the manufacturing operation. The tax credit can be applied against the state portion of GRT, compensating tax, withholding tax, interstate telecommunications gross receipts tax, E911 surcharge and telecommunications relay service surcharge

The credit is not refundable but may be carried forward for up to five years.

Statutory Basis: 7-9J NMSA 1978

Intended Purpose: Presumably to encourage hiring and investment in the alternative energy production sector.

History: Originally enacted in 2007 and amended in 2011. The 2011 amendment included products of single cell photosynthetic organisms as eligible alternative energy products for taxable years 2011 through 2019. Repealed in 2025 with an effective date of July 1, 2025.

Evaluation: None.

Recommendations: None.


Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact: **This is the last year this expenditure is reported.**

Alternative Energy Product Manufacturers Credit against Modified Combined Tax	Tax Year (Calendar)	2022	2023	2024
	Claims	<3	<3	0
	Expenditure (thousands)	-	-	0
	Fiscal Year	2023	2024	2025
	Claims	<3	<3	0
	Expenditure (thousands)	-	-	0

TABLE NOTE: “-“ Means data is redacted due to fewer than 3 taxpayers.

ANGEL INVESTMENT CREDIT AGAINST PIT

Category:	Economic Development
Brief Description:	<p>A taxpayer who files a New Mexico PIT return and makes a qualified investment may claim a credit in an amount not to exceed 25% of the qualified investment not to exceed \$62,000. The investment must be made in a business that maintains its principal place of business in New Mexico and engages in high-technology research or manufacturing activities in New Mexico.</p> <p>The taxpayer may make five qualified investments per tax year. The aggregate annual cap is \$2,000,000. For credits issued after 2015, any unused credit may be carried forward for five consecutive years.</p>
Statutory Basis:	7-2-18.17 NMSA 1978
Intended Purpose:	To incentivize the investment in qualified research or manufacturing activities in New Mexico by angel investors.
History:	<p>Originally enacted in 2007 with a delayed repeal date of January 1, 2013. The credit was amended in 2012, 2015, 2020, 2024, and 2025.</p> <p>The 2012 amendment eliminated the delayed repeal and extended the date before which an investment must be made to qualify for the credit to December 31, 2025. The 2015 amendment changed the qualified investment amount, relaxed the limits on the number of investments, increased the annual cap and extended the carry forward period. The 2020 amendment moved the review and approval of the credit from EDD to Tax & Rev and clarified certain statutory provisions. The 2024 amendment extended the eligibility date for the qualified investment credit to December 31, 2030.</p>
Evaluation:	In the past three fiscal years, on average there have been 169 claims per year accounting for \$1,003,000 in average expenditures for this credit. Since fiscal year 2023, the expenditure on this credit has increased by 7%. This credit appears to be used as intended.
Recommendations:	None.
Reliability Factor:	 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Angel Investment Credit against PIT	Tax Year (Calendar)	2022	2023	2024
	Claims	150	184	51
	Expenditure (thousands)	\$843	\$937	\$333
	Fiscal Year	2023	2024	2025
	Claims	155	158	198
	Expenditure (thousands)	\$1,071	\$875	\$1,052

APPORTIONMENT ELECTION OF CIT FOR HEADQUARTERS

Category: Economic Development

Brief Description: A filing group or a taxpayer whose principal business activity is a headquarters operation may elect to have its business income apportioned to New Mexico by using a single sales factor. Headquarters operation is where the center of operations of a business meets the following criteria:

- (1) corporate staff are physically located in New Mexico,
- (2) centralized functions are primarily performed, to direct one or more centralized functions, and where final authority of those functions is issued,
- (3) primary functions and aspects of operations are managed,
- (4) Has authority to directs regional and subregional offices,
- (5) national and regional headquarters if the national headquarters is subordinate only to the ownership of the business or its representatives and the regional headquarters is subordinate to the national headquarters.

For taxable years beginning on or after January 1, 2020, a taxpayer electing to use the single sales factor must use this filing method for at least 3 consecutive taxable years. .


Statutory Basis: 7-4-10(C) , 7-4-10(D) and 7-4-10(E) NMSA 1978

Intended Purpose: To encourage companies to locate their headquarters or center of operations for their managerial activities in New Mexico, thereby increasing employment and economic activity within the state.

History: Originally enacted in 2015, amended in 2019.

Evaluation: None.

Recommendations: None.

Reliability Factor:  2 – This election is reported. Some estimation is required.

Fiscal Impact:

Special Election, Headquarters Apportionment Formula	Tax Year (Calendar)	2022	2023	2024
	Claims	91	70	40
	Expenditure (thousands)	\$9,455	\$724	\$319
	Fiscal Year	2023	2024	2025
	Claims	72	69	69
	Expenditure (thousands)	\$11,772	\$1,657	\$8,327

APPORTIONMENT ELECTION OF CIT FOR MANUFACTURERS

Category: Economic Development

Brief Description: A filing group or a taxpayer who has eighty percent or more of their property or payroll factors in manufacturing or operating a computer processing facility may elect to have its business income apportioned to New Mexico by using a single sales factor for the taxable year. Manufacturing is defined as combining or processing components or materials to increase their value for sale in the ordinary course of business, but does not include the following:

- (1) construction,
- (2) farming,
- (3) power generation, with the exception that it may include electricity generation at a facility that does not require location approval and a certificate of convenience as pursuant to the Public Utility Act,
- (4) processing natural resources, including hydrocarbons, and
- (5) processing or preparation of meals for immediate consumption.

For taxable years beginning on or after January 1, 2020, a taxpayer electing to use the single sales factor must use this filing method for at least 3 consecutive taxable years.


Statutory Basis: 7-4-10(B), 7-4-10(D) and 7-4-10(E) NMSA 1978

Intended Purpose: As enacted in 1993, the purpose of the double-weighted sales factor formula election for manufacturers was to encourage investment and employment in this state by manufacturers who do not anticipate substantial sales revenue within this state. The current single sales factor apportionment introduced in the 2013 amendment continues that original intent.

History: Originally enacted in 1993 and amended in 2001, 2002, 2009, 2013, 2015, 2019, 2020, and 2024. The 2013 amendment provided a phase-in over five years of the use of a single sales factor by taxpayers whose principal business activity is manufacturing. The 2020 amendment allows computer operating facilities to use the sales apportionment election permitted to manufacturers. The 2024 amendment removes the January 1, 2024, sunset to include power generation from a facility that does not require approval and a certificate of convenience pursuant to the Public Utility Act in the definition of manufacturing. The law now permanently defines this category of power generation as manufacturing.

Evaluation: The single sales factor is an incentive for multi-state companies whose majority sales are outside New Mexico to move to New Mexico. These firms gain the most from this election. For domestic New Mexico companies, the single sales factor reduces their income tax liability to the extent they have sales outside New Mexico. The fiscal impact of this expenditure is tied in part to overall economic strength.

Recommendations: None.

Reliability Factor:  2 – This election is reported. Some estimation is required.

Fiscal Impact:

Special Election, Manufacturer's Apportionment Formula	Tax Year (Calendar)	2022	2023	2024
	Claims	55	35	10
	Expenditure (thousands)	\$91,861	\$18,776	\$0
	Fiscal Year	2023	2024	2025
	Claims	36	45	26
	Expenditure (thousands)	\$33,490	\$104,401	\$81,229

ARMED FORCES RETIREMENT PAY EXEMPTION FROM PIT

Category: Citizen Benefits

Brief Description³¹: An individual who is an armed forces retiree may claim an exemption from PIT in tax years 2022 through 2026. The amount of exemption per tax year is \$30,000.


Statutory Basis: 7-2-5.13 NMSA 1978

Intended Purpose: To ease the tax burden on individuals who served in the armed forces and surviving spouses of armed forces retirees, and to encourage military retirees to reside in New Mexico.

History: Originally enacted in 2022 and amended in 2024. The 2024 amendment removed the graduated maximum exemption amounts for previous tax years, made the \$30,000 exemption permanent, and expanded the eligible taxpayers to include the surviving spouse of an armed forces retiree. This amendment was effective January 1, 2025, and will not be reflected in the fiscal impact until tax year 2025.

Evaluation: None.

Recommendation: None.

Reliability Factor:  2 – This exemption is separately reported. Some estimation is required. Note: The number of claims is based on tax returns. A joint return may have 2 qualifying taxpayers claiming the exemption.

Fiscal Impact:

Armed Forces Retirement Pay Exemption	Tax Year (Calendar)	2022	2023	2024
	Claims	13,807	14,514	14,270
	Expenditure (thousands)	\$5,112	\$9,986	\$13,305
	Fiscal Year	2023	2024	2025
	Claims	12,766	14,584	15,392
	Expenditure (thousands)	\$4,727	\$9,754	\$14,037

³¹ Description reflects current law as of January 1, 2025. The original 2022 legislation graduated the exemption by tax year. In tax year 2022, the exemption was \$10,000. In tax year 2023, the was \$20,000 and for taxable years 2024 through 2026, the exemption was \$30,000.

ARMED FORCES SALARIES EXEMPTION FROM PIT

Category: Citizen Benefits

Brief Description: A salary paid by the United States government to a taxpayer for active duty service in the armed forces of the United States is exempt from PIT.


Statutory Basis: 7-2-5.11 NMSA 1978

Intended Purpose: To provide a tax benefit for our armed forces personnel.

History: Originally enacted in 2007.

Evaluation: This is a discretionary incentive to recognizing our members of the armed forces.


Recommendations: None.

Reliability Factor:  2 – This exemption is separately reported. Some estimation is required.

Fiscal Impact:

Armed Forces Salaries Exemption from PIT	Tax Year (Calendar)	2022	2023	2024
	Claims	14,712	14,457	14,094
	Expenditure (thousands)	\$16,093	\$16,874	\$17,669
	Fiscal Year	2023	2024	2025
	Claims	14,787	14,924	14,725
	Expenditure (thousands)	\$15,988	\$17,457	\$18,643


BACK-TO-SCHOOL TAX-FREE WEEKEND GRT DEDUCTION

Category:	Citizen Benefits
Brief Description:	Receipts from retail sales of specified tangible personal property if the sale occurs during the last full weekend (Friday through Sunday) in July are deductible from gross receipts. The deduction is allowed for purchases of certain clothing valued under \$100, computers valued under \$1,000, computer accessories valued under \$500, and school supplies.
Statutory Basis:	7-9-95 NMSA 1978
Intended Purpose:	To reduce the cost of school supplies and school clothes.
History:	Originally enacted in 2005. Amended in 2025. The 2025 amendment changed the period for the tax holiday to the last weekend of July to reflect earlier school start dates.
Evaluation:	New Mexico is one of 20 states that had a form of a tax-free holiday in 2024, an increase from 2023 when 19 states held tax-free holidays. Tax-free holidays do not generally grow the local economy but rather shift consumption within the economy from one time to another time. The deduction benefits families with children by reducing the cost of school necessities, but citizens who do not attend school may also benefit from the tax-free weekend.
Recommendations:	None.
Reliability Factor:	 3 - Tax & Rev requests taxpayers who take advantage of this deduction to separately report the deductible amount on their returns, but there is no statutory requirement to do so. Despite being a separately reported deduction, the reliability factor for this deduction is a 3 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:


Back-to-School Tax-Free Weekend GRT Deduction	Fiscal Year	2023	2024	2025
	Taxpayers	170	271	231
	State General Fund Expenditure (thousands)	\$276	\$461	\$273
	Local Government Expenditure (thousands)	\$176	\$295	\$175

BIODIESEL BLENDING FACILITY TAX THIRTY PERCENT CREDIT AGAINST GRT AND COMPENSATING TAX

Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>A taxpayer who is a rack operator as defined in the Special Fuels Supplier Tax Act, and who owns and installs biodiesel blending equipment at its facility to produce blended biodiesel fuel, may claim a GRT or compensating tax credit. The credit is 30% of the purchase and installation cost of equipment not to exceed \$50,000 for the installation of the equipment. The maximum aggregate amount of credits allowed in any tax year is \$1 million.</p> <p>Biodiesel is a renewable and biodegradable fuel derived from agricultural plant oils or animal fat. Blended biodiesel fuel is a diesel fuel that contains at least 2% biodiesel.</p> <p>The credit is not refundable but may be carried forward for up to four years.</p>
Statutory Basis:	7-9-79.2 NMSA 1978
Intended Purpose:	To incentivize the establishment or the expansion of a facility that produces blended biodiesel fuel.
History:	Originally enacted in 2007. Repealed in 2025 with an effective date of July 1, 2025.
Evaluation:	According to EMNRD’s Energy Conservation and Management Division, fewer than three applicants for this credit have received certification. No new claims have been received in the last three years.
Recommendations:	None.
Reliability Factor:	 1 - This credit is separately reported. No estimation required.
Fiscal Impact:	This credit is repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

Biodiesel Blending Facility Thirty Percent Credit Against GRT and Compensating Tax	Fiscal Year	2023	2024	2025
	Claims	0	0	0
	Expenditure (thousands)	\$0	\$0	\$0


BIOMASS-RELATED EQUIPMENT AND BIOMASS MATERIALS DEDUCTION FROM COMPENSATING TAX

Category:	Environment, Conservation & Renewable Energy
Brief Description:	The value of a biomass boiler, gasifier, furnace, turbine-generator, storage facility, feedstock processing or drying equipment, feedstock trailer or interconnection transformer, and the value of biomass materials used for processing into bio power, biofuels or bio-based products is deductible when computing the compensating tax due.
Statutory Basis:	7-9-98 NMSA 1978
Intended Purpose:	To incentivize the construction of biomass power generation and use of biomass materials.
History:	Originally enacted in 2005.
Evaluation:	<p>According to EMNRD, several bioenergy projects are currently underway in the state and typically involve partnerships between federal agencies, local governments, New Mexico higher education institutions, and foreign entities. These include Albuquerque’s Southside Water Reclamation Plant and the Las Cruces Wastewater Treatment Plant. As these are operated by local governments, the receipts from these projects are unaffected by the deduction due to government exemption.</p> <p>In the private sector, EMNRD reports a very limited number of bioenergy projects undergoing construction in the last few years, with only a single project operating and another ceasing construction after funding difficulties. The deduction appears insufficient to incentivize new private projects. A survey of publicly-available information indicates that proposed projects may not be finalized at the time this report is published.</p> <p>Note that this deduction can only be taken against compensating tax, which could incentivize firms to purchase equipment out of state.</p>
Recommendations:	For consistency, a GRT deduction for in-state sales of the described equipment would bring parity in the tax code.
Reliability Factor:	 4 - In previous publications, the limited number of private bioenergy projects that have undergone construction over the last few years were estimated from publicly-available sources of the size of the projects. A two-year construction timeframe was assumed on projects that continued, as well as assuming 50% of the project cost would involve purchasing equipment from out of state, and therefore be subject to compensating tax.
	Research for this year’s publication based on NAICS codes associated with the generation of energy with the use of biomass yielded no economic activity. It is assumed that no project was operational in FY2025.

Fiscal Impact:

Biomass-Related Equipment and Biomass Materials Deduction from Compensating Tax	Fiscal Year	2023	2024	2025
	Expenditure (thousands)	\$0	\$0	\$0

BORDER-ZONE TRADE-SUPPORT COMPANY GRT DEDUCTION

Category:	Economic Development
Brief Description:	<p>The receipts of a trade-support company are deductible from gross receipts if:</p> <ol style="list-style-type: none">(1) the trade-support company first locates in New Mexico within twenty miles of a port of entry on New Mexico's border with Mexico on or after July 1, 2003, but before July 1, 2013; or they locate in a border-zone after July 1, 2016, but before January 1, 2021;(2) the receipts are received by the company within a five-year period beginning on the date the trade-support company locates in New Mexico and the receipts are derived from its business activities and operations at its border zone location; and;(3) the trade-support company employs at least two employees in New Mexico. <p>A "trade-support company" means a customs brokerage firm or a freight forwarder.</p>
Statutory Basis:	7-9-56.3 NMSA 1978
Intended Purpose:	To incentivize the location of trade-support companies to support and increase economic activities at the various ports of entry (Santa Teresa, Columbus, and Antelope Wells).
History:	Originally enacted in 2003, amended in 2007, 2015, 2021, and 2025. The 2015 amendment extended the credit and added reporting requirements. The 2021 amendment revised the definition of "employee". The 2025 amendment revised reporting requirements and removed certain obsolete language.
Evaluation:	The expenditure may be underutilized based on the number of taxpayers that claim the deduction.
Recommendations:	None.
Reliability Factor:	 3 - This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 3 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Border-Zone Trade-Support Company GRT Deduction	Taxpayers	12	57	32
	State General Fund Expenditure (thousands)	\$146	\$180	\$420
	Local Government Expenditure (thousands)	\$93	\$120	\$280

**BUSES OPERATED BY RELIGIOUS AND NONPROFIT CHARITABLE ORGANIZATIONS
EXEMPTION FROM WEIGHT DISTANCE TAX**

Category: Citizen Benefits

Brief Description: Use of the highways in New Mexico by buses operated by religious or nonprofit charitable organizations is exempt from the weight distance tax (WDT).


Statutory Basis: 7-15A-5(C) NMSA 1978

Intended Purpose: To reduce transportation costs of religious and charitable organizations the federal government has determined to be performing socially-beneficial activities.

History: Originally enacted in 1988 and amended in 2006.

Evaluation: None.

Recommendations: None.

Reliability Factor:  3 -The number of buses registered as nonprofit was received from the Motor Vehicle Division. Exempt miles are not reported on any WDT form, so average miles traveled per school bus were calculated from national school data sources. Weight was calculated as an average of weights between 26,000 and 30,000 pounds gross vehicle weight rating, which most type C buses are.

Fiscal Impact:

Buses Operated by Religious and Nonprofit Charitable Organizations Exemption from WDT	Fiscal Year	2023	2024	2025
	Expenditure (thousands)	\$31	\$27	\$40

BUSES USED FOR TRANSPORTATION OF AGRICULTURAL LABORERS EXEMPTION FROM WEIGHT DISTANCE TAX

Category: Highly Specialized Industry

Brief Description: Use of the highways in New Mexico by buses used exclusively for the transportation of agricultural laborers is exempt from the WDT.


Statutory Basis: 7-15A-5(B) NMSA 1978

Intended Purpose: To lower the cost of labor for agricultural producers.

History: Originally enacted in 1988.

Evaluation: None.


Recommendations: None.

Reliability Factor:  3 -The number of buses registered for agricultural use was collected from the Motor Vehicle Division. Exempt miles are not reported on any WDT form, and no public source is available for miles traveled by agricultural buses. Therefore, average miles traveled per school bus was calculated from national school data sources (school buses operate on a similar twice-a-day schedule). Weight was calculated as an average of weights between 26,000 and 30,000 pounds gross vehicle weight rating, which most type C buses are.

Fiscal Impact:

Buses Used for Transportation of Agricultural Laborers Exemption from WDT	Fiscal Year	2023	2024	2025
	Expenditure (thousands)	\$6.0	\$7.3	\$12.4

CAPITAL GAIN DEDUCTION FROM PIT

Category:	Citizen Benefits
Brief Description³²:	<p>A taxpayer may claim a deduction from net income in an amount equal to the greater of:</p> <ol style="list-style-type: none">(1) the taxpayer's net capital gain income for the taxable year for which the deduction is being claimed, but not to exceed \$2,500; or(2) 40% of up to \$1,000,000 of the taxpayer's net capital gain income from the sale of a business that is allocated or apportioned to New Mexico³³.
Statutory Basis:	7-2-34 NMSA 1978
Intended Purpose:	The capital gain deduction exists to incentivize savings and investment and to recruit individuals earning investment income to New Mexico. The deduction also decreases tax liability for tax filers who sell a business at a gain.
History:	<p>Originally enacted in 1999 and amended in 2003, 2019, and 2024. The 2003 amendment expanded the capital gains deduction at the same time income tax rates were reduced. The 2019 amendment reduced the 50% threshold to 40% effective tax year 2019.</p> <p>The 2024 amendment restricted the maximum deduction of option (1) from \$1,000 to \$2,500 and caps the 40% option at \$1,000,000 for option (2). Option (2) was also amended to limit the capital gain income from the sale of a New Mexico business only. The 2024 amendment will not be reflected in the fiscal impact until tax year 2025.</p>
Evaluation:	Prior to the 2024 amendment, any taxpayer who recognized a capital gain during a tax year regardless of income level, would reduce their tax liability by at least 40% of their capital gains income in that year with this deduction. Because higher earning individuals tend to have higher capital gains, they received a larger proportion of benefit from this deduction. However, taxing capital gains affects savings and investment decisions over the long term and there are low risks involved such as capital flight or a decline in entrepreneurship.
Recommendations:	None.
Reliability Factor:	 2 – This deduction is separately reported. Some estimation is required.

³² Description reflects current law. New law takes effect January 1, 2025, as described in history section.

³³ Prior to 2019, the threshold was 50% of the taxpayer's net capital gain income. From 2019 to 2024, option (1) was capped at \$1,000 and option (2) was 40% of all net capital gain income.

Fiscal Impact:

Capital Gain Deduction	Tax Year (Calendar)	2022	2023	2024
	Claims	114,897	100,423	95,907
	Expenditure (thousands)	\$102,038	\$69,223	\$52,419
	Fiscal Year	2023	2024	2025
	Claims	121,564	107,093	125,183
	Expenditure (thousands)	\$115,318	\$101,596	\$93,750

CERTAIN DISABLED MILITARY VETERAN EXEMPTION FROM MOTOR VEHICLE EXCISE TAX

Category: Citizen Benefits

Brief Description: An individual is exempt from the Motor Vehicle Excise Tax (MVX) if the person is a resident of New Mexico who served in the armed forces of the United States and who suffered, while serving in the armed forces or from a service-connected cause, the loss or complete and total loss of use of:

- (1) one or both legs at or above the ankle; or
- (2) one or both arms at or above the wrist.


Statutory Basis: 7-14-6(E) NMSA 1978

Intended Purpose: To ease the tax burden of individuals whose service in the armed forces resulted in disability.

History: Section was originally enacted in 1978 and amended in 2007 to include Subsection E.

Evaluation: This tax expenditure meets its intended purpose of lowering the tax burden of disabled veterans. The estimated fiscal impact of this expenditure suggests that the exemption from the excise tax has had a positive effect on vehicle purchases.

Recommendations: None.

Reliability Factor:  3 - The number of disabled veterans in 2025 in the State of New Mexico was obtained from the US Census Bureau. The Department of Veterans Services provided Service-Connected Disability (SCD) rating distributions for FY 2023. The veterans with SCD rating >70% will most likely match the exemption criteria in the statute. This represents 56.8% of all disabled veterans with SCD rating in FY2023. This percentage is applied to the 2025 census data. The national average prices of new and used vehicles were collected for each year and averaged together. In 2022 - 2024, an average of 6% of licensed drivers bought a new or used light vehicle. The total number of disabled veterans with a sufficient disability rating was multiplied by 6% and by the average price of a new and used vehicle. The resulting dollar amount was multiplied by the MVX rate of 4%. The expenditures for FY2023 and FY2024 have been revised due to methodological change in 2025.

Fiscal Impact:

Certain Disabled Military Veteran Exemption from MVX	Fiscal Year	2023	2024	2025
	Expenditure (thousands)	\$1,794	\$1,836	\$2,490

**CERTAIN HEALTH CARE PROVIDERS FEDERAL PAYMENTS
EXEMPTION FROM GROSS RECEIPTS – AMERICAN RESCUE PLAN
ACT OF 2021 (ARPA)**

Category: Health Care

Brief Description: Receipts derived from funds received pursuant to the American Rescue Plan Act (ARPA) of 2021 are exempted from gross receipts for health care providers.


Statutory Basis: 7-9-41.6(B) NMSA 1978

Intended Purpose: This exemption was aimed at supporting health care providers severely impacted by the COVID-19 pandemic. By exempting these gross receipts payments from GRT, this statute provided relief to these providers and prevented the increase of costs for all recipients of health care in the state. The exemption of ARPA payments was consistent with previously exempted Coronavirus Aid, Relief, and Economic Security Act (CARES) federal payments also aimed at supporting health care providers serving during the COVID-19 pandemic.

History: Originally enacted in 2023.

Evaluation: None

Recommendation: None

Reliability Factor:  3 – Data from the New Mexico Human Services Department’s Quarterly Spending Plan and Narrative for the 4th quarter of FY2024 on implementing the American Rescue Plan Act of 2021 were used to estimate the expenditure. The exemption amount is multiplied by the statewide average GRT rate to calculate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Certain Health Care Providers Federal Payments GRT Exemption	State General Fund Expenditure (thousands)	\$2,900	\$3,300	Unknown
	Local Governments Expenditure (thousands)	\$1,800	\$2,200	Unknown

**CERTAIN HEALTH CARE PROVIDERS FEDERAL PAYMENTS
EXEMPTION FROM GROSS RECEIPTS – CORONAVIRUS AID, RELIEF,
AND ECONOMIC SECURITY ACT (CARES)**

Category: Health Care

Brief Description: Receipts derived from funds received pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES) are exempted from gross receipts for health care providers.


Statutory Basis: 7-9-41.6(A) NMSA 1978

Intended Purpose: This exemption was aimed at supporting health care providers severely impacted by the COVID-19 pandemic. By exempting these gross receipts payments from GRT, this statute provided relief to these providers and prevented the increase of costs for all recipients of health care in the state.

History: Originally enacted in 2020.

Evaluation: None.

Recommendation: None.

Reliability Factor:  3 - Data from the Federal Health Resources & Services Administration on provider relief fund payments were used to estimate the expenditure. There is no impact in FY24 and FY25 as the program ceased June 30, 2023. The exemption amount is multiplied by the statewide average GRT rate to calculate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Certain Health Care Providers Federal Payments – CARES – GRT Exemption	State General Fund Expenditure (thousands)	\$700	NA	NA
	Local Government Expenditure (thousands)	\$500	NA	NA

CHILD CARE PROVIDERS GRT DEDUCTION

Category: Citizen Benefits

Brief Description: (A) Receipts from the sale of child care assistance services by a taxpayer pursuant to a contract or grant with the Early Childhood Education and Care Department (ECECD) to provide such services through a licensed child care assistance program may be deducted from gross receipts.

(B) Receipts of for-profit pre-kindergarten providers for the sale of pre-kindergarten services pursuant to the Pre-Kindergarten Act may be deducted from gross receipts.


Statutory Basis: 7-9-77.2(A)-(B) NMSA 1978

Intended Purpose: To improve the parity between for-profit and non-profit pre-kindergarten service providers and to make child care services more affordable, since the GRT is generally passed on to families.

History: Originally enacted in 2024 and amended in 2025. The 2025 amendment revised reporting requirements.

Evaluation: None.


Recommendation: None.

Reliability Factor:  1 - This deduction is separately reported. No estimation is required.

Fiscal Impact:

Child care providers GRT Deduction (A)	Fiscal Year	2025
	Taxpayers	265
	State General Fund Expenditure (thousands)	\$5,809
	Local Government Expenditure (thousands)	\$3,873
Child care providers GRT Deduction (B)	Taxpayers	88
	State General Fund Expenditure (thousands)	\$1,996
	Local Government Expenditure (thousands)	\$1,331

CHILD CARE TO PREVENT INDIGENCY CREDIT AGAINST PIT

- Category:** Citizen Benefits
- Brief Description:** Any resident who files a PIT return and who is not a dependent of another taxpayer may claim a credit for child daycare expenses incurred and paid to a caregiver in New Mexico during the taxable year. The credit is available to a taxpayer who has a modified gross income, including child support payments, of not more than the annual income that would be derived from earning double the federal minimum wage.
- The credit is 40% of actual compensation paid to a caregiver and may not exceed \$480 for each qualifying dependent or \$1,200 for all qualifying dependents in any taxable year. This credit is refundable.
- Statutory Basis:** 7-2-18.1 NMSA 1978
- Intended Purpose:** To protect the health, safety and well-being of children of low-income families and to provide parents an opportunity to place their children in day care working.
- History:** Originally enacted in 1981 and amended in 1990, 1995, 1999, and 2015.
- Evaluation:** The number of taxpayers claiming this credit has decreased by 50% on average since 2020. This is due in part to changes in taxpayer behavior in response to the pandemic. Also, the credit is tied to the federal minimum wage which currently is \$7.25 and has not seen an increase since 2009. As wages have increased with inflation in recent years, fewer taxpayers are eligible for this credit.
- Recommendations:** Consider benchmarking the modified gross income and the maximum credit amount to an index which is adjusted annually for inflation.
- Reliability Factor:**  1 - This credit is separately reported. No estimation is required.
- Fiscal Impact:**

Child Care Credit against PIT	Tax Year (Calendar)	2022	2023	2024
	Claims	672	575	433
	Expenditure (thousands)	\$280	\$233	\$190
	Fiscal Year	2023	2024	2025
	Claims	684	594	464
	Expenditure (thousands)	\$286	\$243	\$208

CHILD INCOME TAX CREDIT AGAINST PIT

Category:	Citizen Benefits
Brief Description:	A resident taxpayer who is not a dependent of another taxpayer may claim a tax credit against PIT for each qualifying child. A qualifying child is defined by federal statute but generally includes a minor child or stepchild supported by the taxpayer. For the first tax year of enactment, 2023, the amount of the credit ranged from \$25 to \$600 per qualified child, depending on adjusted gross income. ³⁴ The amount of the child income tax credit is adjusted annually for inflation and is refundable. This credit expires January 1, 2032.
Statutory Basis:	7-2-18.34 NMSA 1978
Intended Purpose:	To reduce the tax liability of households with children and increase family income, thereby reducing poverty.
History:	Originally enacted in 2022. Amended in 2023, the amount of credit increased for taxpayers with adjusted gross incomes under \$25,000, \$50,000, and \$75,000 from \$175, \$150, and \$125 to \$600, \$400, and \$200, respectively.
Evaluation:	<p>The American Rescue Plan Act (ARPA) expanded the federal child tax credit for 2021. Expansion of the federal refundable credit helped to reduce the overall national poverty rate³⁵ from 9.2% in 2020 to 7.8% in 2021 and reduced the child poverty rate from 9.7% in 2020 to 5.2% in 2021³⁶. The expanded federal child income tax credit temporarily lifted 5.3 million Americans out of poverty, 3 million of whom were under 18 years old³⁷. When the federal child tax credit expansion ended, the overall and child poverty rate both rose to 12.4% in 2022.</p> <p>Based on evidence that the federal child tax credit was an effective tool to reduce poverty, New Mexico enacted and then expanded this credit. The average credit for FY2025 was \$540 per taxpayer. With this credit in place, New Mexico can anticipate a reduction to the overall state poverty rate and the child poverty rate. This seems to be proving true in the most recent</p>

³⁴ For inflation-adjusted child income tax credit amounts, see PIT returns and instructions at, www.tax.newmexico.gov/forms-publications/

³⁵ The U.S. Census Bureau provides two measures of poverty: the official poverty measure and the Supplemental Poverty Measure (SPM). The official poverty measure is estimated using pretax money income. The SPM extends the official poverty measure by accounting for several government program and geographic variations in housing expenses. The national rates reported above are reflective of the SPM.

³⁶ U.S. Census Bureau, Current Population Survey, 2010 to 2022 Annual Social and Economic Supplements (CPS ASEC); table B-3


³⁷ U.S. Census Bureau, Current Population Survey, 2021 to 2022 Annual Social and Economic Supplements (CPS ASEC); table B-8

Official and Supplemental Poverty Measures released by the US Census Bureau. In 2024, New Mexico’s Official Poverty Measure for children fell 3.2%, the largest improvement in the nation.

For more information on this credit, see “Tax Policy Examinations – Child Income Tax Credit” on page 30 in the 2024 New Mexico Tax Expenditure Report.

Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New Mexico economy to increase consumption and economic activity in New Mexico.

Recommendation: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Child Income Tax Credit Against PIT	Tax Year (Calendar)	2023	2024
	Claims	248,927	243,909
	Expenditure (thousands)	\$135,586	\$133,590
	Fiscal Year	2024	2025
	Claims	237,714	257,526
	Expenditure (thousands)	\$131,233	\$139,165

CLEAN CAR INCOME TAX CREDIT AGAINST PIT AND CIT

Category: Environment, Conservation & Renewable Energy

Brief Description: Taxpayers may receive an income tax credit for purchasing or leasing electric vehicles, plug-in hybrids, or fuel cell vehicles in New Mexico. Credit amounts vary depending on the type of vehicle and whether it is new or previously owned. Taxpayers receive certification for the credit from EMNRD. A taxpayer can be certified for one tax credit in a taxable year and only one tax credit shall be certified per previously owned motor vehicle. A previously owned vehicle must have a model year that is at least two years prior to the calendar year in which the taxpayer purchased or leased the vehicle. The credit amount begins to phase out beginning with the tax year 2027. The credit amounts are:

For taxable years beginning January 1, 2024 and prior to January 1, 2027, the credit ranges from \$2,000 to \$3,000;

For the taxable year beginning January 1, 2027 and prior to January 1, 2028, the credit ranges from \$1,480 to \$2,220;

For the taxable year beginning on January 1, 2028 and prior to January 1, 2029, the credit ranges from \$980 to \$1,470; and

For the taxable year beginning January 1, 2029, the credit ranges from \$640 to \$960.

Applicants must apply for certification with EMNRD within one year of purchase or lease, and if certified, may claim the credit on their tax return within three years of certification.

The credit is refundable and transferable. The credit is effective as of May 15, 2024, and is applicable for taxable years beginning on or after January 1, 2024 and ending prior to January 1, 2031. This credit is repealed effective January 1, 2031.

Select definitions:

(1) "electric vehicle" means a motor vehicle that derives all of the vehicle's power from electricity stored in a battery that:

- a. has a capacity of not less than twenty-five kilowatt-hours;
- b. is capable of powering the vehicle for a range of at least one hundred miles; and
- c. is capable of being recharged from an external source of electricity.

(2) "fuel cell vehicle" means a motor vehicle that:

- a. uses a fuel cell to produce electricity that is used to drive an electric motor; and
 - b. is capable of powering the vehicle for a range of at least one hundred miles.
- (3) "new" means a motor vehicle that has a base manufacturer suggested retail price, before options and destination charges and before any taxes are imposed, of fifty-five thousand dollars (\$55,000) or less;
- (4) "plug-in hybrid electric vehicle" means a motor vehicle that derives part of the vehicle's power from electricity stored in a battery that:
- a. has a capacity of not less than six kilowatt-hours;
 - b. is capable of powering a vehicle for a range of at least thirty miles; and
 - c. is capable of being recharged from an external source of electricity;
- (5) "previously owned" means a motor vehicle that is not new, that has a market value of twenty-five thousand dollars (\$25,000) or less, that is certified by the dealer selling the motor vehicle and for which the dealer provides at least a one-year extended manufacturer's warranty against defects and repairs.

Statutory Basis: 7-2-18.36 and 7-2A-19.1 NMSA 1978

Intended Purpose: To encourage the adoption of clean transportation technologies and infrastructure in New Mexico by providing tax incentives for the purchase of clean cars.

History: Originally enacted in 2024.

Evaluation: This credit was intended to be coupled with the federal clean car credit, which was scheduled to expire at the end of 2032. Under amended federal law, the federal clean car credit expired on September 30, 2025. This may impact the number of claims for New Mexico clean car credits.

Recommendation: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Clean Car Income Tax Credit against PIT and CIT	Tax Year (Calendar)	2024
	Claims	509
	Expenditure (thousands)	\$1,225
	Fiscal Year	2025
	Claims	509
	Expenditure (thousands)	\$1,225

CLEAN CAR CHARGING UNIT INCOME TAX CREDIT AGAINST PIT AND CIT

Category: Environment, Conservation & Renewable Energy

Brief Description: Taxpayers may receive a credit for purchasing and installing an electric vehicle or fuel cell charging unit in New Mexico. The credit amount is based on charging unit type. Taxpayers receive certification of eligibility from EMNRD. Only one tax credit shall be certified per taxpayer per taxable year.

The amount of tax credit shall be:

- (1) \$25,000 or the cost to purchase and install a direct current fast charger or fuel cell charging unit, whichever is less, and
- (2) \$400 or the cost to purchase and install all other electric vehicle charging units, whichever is less.

Applicants apply for a certification from EMNRD within one year of purchase, and if approved, may claim the credit on their tax return within three years of certification.

This refundable credit is effective as of May 15, 2024, and is applicable for taxable years beginning on or after January 1, 2024, and ending prior to January 1, 2031.

Select definitions:

- (1) "direct current fast charger" means an electric vehicle charging unit that provides at least fifty kilowatts of direct current electrical power for charging an electric vehicle through a connector based on fast charging equipment standards and that is approved for installation for that purpose by certain certifying organizations;
- (2) "electric vehicle charging unit" means a device that:
 - a. is used to provide electricity to an electric vehicle or plug-in hybrid electric vehicle;
 - b. is designed to create a connection between an electricity source and the electric vehicle or plug-in hybrid electric vehicle; and
 - c. uses the electric vehicle's or plug-in hybrid electric vehicle's control system to ensure that electricity flows at an appropriate voltage and current level;
- (3) "fuel cell charging unit" means a facility or unit that dispenses liquefied or compressed hydrogen for fuel cell vehicle refueling and that is approved for installation for that purpose under applicable codes and compliant with requirements of applicable certifying organizations.

For definitions of electric, fuel-cell and plug-in hybrid electric vehicles, see the expenditure summary for “Clean Care Income Tax Credit against PIT and CIT.”


Statutory Basis: 7-2-18.37 and 7-2A-19.2 NMSA 1978

Intended Purpose: To encourage the adoption of clean transportation technologies and infrastructure in New Mexico by providing tax incentives for the purchase and installation of clean car charging units.

History: Originally enacted in 2024.

Evaluation: This credit was intended to be coupled with the federal clean car credit, which was scheduled to expire at the end of 2032. Under amended federal law, the federal clean car credit expired on September 30, 2025. This may impact the number of claims for New Mexico clean car credits.

Recommendation: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact: No taxpayers have claimed this credit.

CIGARETTE TAX RATE REDUCTION FOR MODIFIED RISK PRODUCTS

- Category:** Highly Specialized Industries

- Brief Description:** The excise tax on cigarettes may be reduced by fifty percent or twenty-five percent for a cigarette for which a modified risk tobacco product order has been issued by the United States secretary of health and human services pursuant to Section 21 U.S.C. 387k(g)(1) or Section 21 U.S.C. 387k(g)(2), respectively.


- Statutory Basis:** 7-12-3(C) & (D) NMSA 1978

- Intended Purpose:** To incentivize the sale and consumption of products that have less detrimental health effects for the individual consumer or the population as a whole.

- History:** Subsections C and D were originally enacted in 2019 as an amendment to Section 7-12-3 NMSA 1978.

- Evaluation:** None.

- Recommendation:** Tax & Rev recommends repealing this statute. The tax reduction remains underutilized since its enactment. Additionally, for public health reasons, the World Health Organization recommends increasing tobacco taxes and prices as the single most effective and cost-effective measure to reduce use. The U.S. Centers for Disease Control and Prevention (CDC) argues that there are no safe tobacco products, particularly for youth and adolescents, including those permitted by the FDA to use a modified risk claim.

- Reliability Factor:**  1 – This expenditure is calculated directly using taxpayer data. No estimation is required.


- Fiscal Impact:** No taxpayers have reported the sale of modified-risk tobacco products, so there is no fiscal impact on the cigarette excise tax.

COAL EXEMPTION FROM SEVERANCE SURTAX

Category:	Highly Specialized Industry
Brief Description:	<p>Coal is not subject to the surtax under certain conditions. The exemption applies to:</p> <p>(1) coal sold under contracts signed on or after July 1, 1990, with deliveries beginning after that date, is exempt. However, the exemption does not apply if a new contract simply replaces or revises an older one under nearly identical terms, if a purchaser sets up an affiliated company to buy coal on its behalf, or if a purchaser breaks an older contract that was still valid on July 1, 1990, just to qualify for the exemption.</p> <p>(2) coal sold under contracts already in effect on July 1, 1990, is exempt if the deliveries go beyond a certain baseline. This baseline is the greater of either the average yearly deliveries made under the contract during 1987, 1988, and 1989, or the highest minimum delivery requirement in those same years.</p> <p>(3) If a contract that existed on July 1, 1990, is renegotiated after May 20, 1992, and the renegotiated terms require annual deliveries higher than that baseline, then the surtax does not apply to the excess deliveries for the rest of the renegotiated contract's term.</p> <p>For contracts covered by this exemption, if the contract only applied for part of the years 1987 to 1989, the average yearly deliveries will be adjusted (annualized) to fairly reflect a full year's deliveries. Beginning after June 30, 2009, if yearly deliveries under the contract fall below the average deliveries from 1987 to 1989, the exemption no longer applies unless the shortfall is caused by events outside the control of either party.</p> <p>Before claiming any exemption under this law, the taxpayer must register the qualifying coal contract with Tax & Rev using official forms. If the department reviews the contract or audits the related transactions and finds that one of the parties acted in a way that undermines the intent of this law, the exemption will be denied.</p>
Statutory Basis:	7-26-6.2 NMSA 1978
Intended Purpose:	This tax expenditure is an incentive for continued production by the New Mexico coal mining industry, providing reduced tax liability under new or restructured contracts.
History:	Originally enacted in 1990 and amended in 1992, 1994, 1995, 1997, and 1999.
Evaluation:	This exemption directly benefits the coal mining industry by providing an exemption from the severance surtax. Since 2010, new agreements have been entered into which have resulted in previously unallowable activity to be eligible for this exemption. In the last five years, all coal mined in New Mexico

qualified for an exemption from the surtax. The retirement of the Escalante Power Plant in 2020 and the San Juan Generating Station in 2022 have reduced the amount of coal eligible for the exemption. This tax incentive also is in direct conflict with tax incentives meant to incentive the production of renewable energy and decarbonization. Benefiting the coal mining industry, and subsidizing energy production using coal as fuel, would appear to undermine the goals of tax incentives designed to increase the use of renewable energy, and to encourage electric generation from renewable sources.


Recommendations: Evaluate benefits of this exemption given no revenues received from severance surtax.

Reliability Factor:  1 - This credit is separately reported. No estimation is required. Data is allowed to be reported despite fewer than 3 claims pursuant to Section 7-1-8.3(B) NMSA 1978.

Fiscal impact:

Coal Exemption from Severance Surtax	Fiscal Year	2023	2024	2025
	Claims	2	2	2
	Expenditure (thousands)	\$4,970	\$4,972	\$1,134


COMMERCIAL MOTOR CARRIER VEHICLES OPERATING EXCLUSIVELY WITHIN 10 MILES OF MEXICO BORDER EXEMPTION FROM TRIP TAX AND WEIGHT DISTANCE TAX

Category:	Economic Development
Brief Description:	Commercial motor carrier vehicles are exempt from the trip tax and the weight distance tax while operating on New Mexico highways exclusively within 10 miles of a border with Mexico and crossing the border with Mexico is exempt from the trip tax and the WDT.
Statutory Basis:	7-15-3.2 and 7-15A-5(D) NMSA 1978
Intended Purpose:	To incentivize companies that have cross-border activities to do business in New Mexico instead of Texas and Arizona.
History:	Originally enacted in 2006.
Evaluation:	The New Mexico Border Authority reports that the number of commercial vehicles crossing the New Mexico/Mexico border has increased since FY2011. This tax expenditure meets its intended purpose of creating a competitive environment for business in New Mexico. The opening of the large Union Pacific intermodal transfer yard in 2014 near Santa Teresa and in 2018, the port of entry near Columbus, New Mexico quadrupled the number of commercial trucking dock also indicate this expenditure meets its intended purpose.
Recommendations:	None.
Reliability Factor:	 3 - Data for truck entries at Santa Teresa and Columbus were obtained from the U.S. Department of Transportation. From conversations with NMDOT, it was assumed that all of the Santa Teresa entry traffic would stay within the 20-mile North American Free Trade Agreement commercial zone and was destined for the large Union Pacific transfer station 10 miles from the border, or other nearby freight transfer facilities. Twenty miles per entry was assumed for a round-trip total road miles calculation. The total number of miles was then multiplied by the average WDT rate of all the weight classes. The same procedure was followed to calculate the trip tax expenditure.


Fiscal Impact:

	Fiscal Year	2023	2024	2025
Commercial Motor Carrier Vehicles Operating Exclusively within 10 Miles of Mexico Border Exemption from Trip Tax and WDT	Weight Distance Tax Expenditure (thousands)	\$95	\$105	\$87
	Trip Tax Expenditure (thousands)	\$452	\$501	\$418

CONSTRUCTION EQUIPMENT AND MATERIALS USED IN THE CONSTRUCTION OF SOLE COMMUNITY PROVIDER HOSPITALS GRT DEDUCTION

Category:	Health Care
Brief Description:	Receipts from sales of construction equipment or construction materials to a foundation or nonprofit organization for use in new facility construction of a sole community provider hospital located in a federally designated health professional shortage area are deductible from gross receipts under certain circumstances.
Statutory Basis:	7-9-100 NMSA 1978
Intended Purpose:	To reduce the costs of constructing sole community provider hospitals.
History:	Originally enacted in 2006.
Evaluation:	According to the HCA, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a rural community hospital demonstration project for five years to study a reasonable reimbursement methodology for such hospitals. Section 10313 of the Affordable Care Act (ACA) expanded and extended this demonstration for another five years until 2013. The extension for the federal pilot program expired, there are no federal matching funds to support the services provided at sole community provider hospitals. As a result, and based on information received from HCA, Tax & Rev is unaware of any recent new construction of sole community provider hospitals.
Recommendations:	Because the ACA did not preclude an entity from building or making capital investments in rural (sole) community provider hospitals, the deduction could still fulfill its purpose as rural health facilities find alternative sources of funding for operations.
Reliability Factor:	 1 - No new sole community provider hospitals were built in New Mexico over the last several years. No estimation is required.
Fiscal Impact:	None.


CONSTRUCTION OF SOLE COMMUNITY PROVIDER HOSPITALS GRT DEDUCTION

Category:	Health Care
Brief Description:	Receipts from the sale of engineering, architectural, and construction services to a foundation or nonprofit organization for use in the new facility construction of a sole community provider hospital located in a federally-designated health professional shortage area are deductible from gross receipts.
Statutory Basis:	7-9-99 NMSA 1978
Intended Purpose:	To reduce the costs of constructing sole community provider hospitals.
History:	Originally enacted in 2006.
Evaluation:	According to the HCA, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a rural community hospital demonstration project for five years to study a reasonable reimbursement methodology for such hospitals. Section 10313 of the Affordable Care Act expanded and extended this demonstration for another five years until 2013. The extension for the federal pilot program has expired, there are no more federal matching funds to support the services provided at sole community provider hospitals. As a result, and based on information received from HCA, Tax & Rev is unaware of any recent new construction of sole community provider hospitals.
Recommendations:	Based on the presumption that the ACA did not preclude an entity from building or making capital investments in rural (sole) community provider hospitals, this deduction would be able to fulfill its purpose as rural health facilities find alternative sources of funding for operations.
Reliability Factor:	 1 - No new sole community provider hospitals were built in New Mexico over the last several years. No estimation is required.
Fiscal Impact:	None.

CONTRIBUTIONS OF INVENTORY TO NONPROFIT ORGANIZATIONS
OR GOVERNMENTAL AGENCIES
DEDUCTION FROM COMPENSATING TAX

Category:	Citizen Benefits
Brief Description:	The value of tangible personal property that is removed from inventory and contributed to a United States or New Mexico government entity or the governing body of an Indian nation, tribe, or pueblo for use on an Indian reservation or pueblo grant or to 501(c)(3) organizations, is deductible in computing the compensating tax due.
Statutory Basis:	7-9-91 NMSA 1978
Intended Purpose:	To incentivize the contribution of inventory to government entities and nonprofit organizations.
History:	Originally enacted in 2001 and amended in 2025.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact of this deduction.
Fiscal Impact:	Unknown.


CONVEYANCE OF LAND FOR CONSERVATION OR PRESERVATION FIFTY PERCENT CREDIT AGAINST PIT AND CIT

Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>Taxpayers may receive a credit against CIT or PIT for donations of land or interests in land if:</p> <p>(1) the donation is for the purpose of open space, natural resource or biodiversity conservation, agricultural preservation or watershed or historic preservation by the landowner or taxpayer; and</p> <p>(2) the entity receiving the donation is a public or private conservation agency eligible to hold the land and interests therein for conservation or preservation purposes. The credit equals 50% of the fair market value of land or interest therein that was donated.</p> <p>The amount of the credit that may be claimed by a taxpayer shall not exceed \$100,000 for a conveyance made prior to January 1, 2008, and shall not exceed \$250,000 for a conveyance made on or after that date.</p> <p>The credit is not refundable but may be transferred in increments of \$10,000 or more or may be carried forward up to 20 years.</p> <p>A taxpayer may claim one tax credit per taxable year.</p>
Statutory Basis:	7-2-18.10 and 7-2A-8.9 NMSA 1978
Intended Purpose:	These credits were enacted as part of the Land Conservation Incentives Act to encourage private landowners to be stewards of lands that are important habitat areas, or concern significant natural, open space, and historic resources. The credits encourage the protection of private land for open space, natural resources, biodiversity conservation, outdoor recreation, farmland and forest preservation, historic preservation, and land conservation purposes.
History:	Originally enacted in 2003 and amended in 2007.
Evaluation:	As demonstrated by the table below, for tax years 2022 through 2024, 329,841 acres of land, or interests therein, have been conveyed for preservation and conservation purposes. This roughly corresponds to total foregone revenue of \$4.0 million to the State in the past three tax years. The average cost per acre from 2016 to 2024 is approximately \$24. Based on the data, it appears the credit has met its intended purpose
Recommendations:	None.
Reliability Factor:	 1 - This credit is separately reported. No estimation is required. The data source for acres conserved is EMNRD, which collects the data during the certification process for this credit.


Fiscal Impact:

Conveyance of Land for Conservation or Preservation Fifty Percent Credit against PIT and CIT	Tax Year (Calendar)	2022	2023	2024
	Claims	48	53	19
	Acres Conserved	3,990	318,691	7,160
	Expenditure (thousands)	\$1,776	\$2,143	\$129
	Fiscal Year	2023	2024	2025
	Claims	65	54	50
	Expenditure (thousands)	\$2,585	\$2,274	\$1,819

CORPORATE-SUPPORTED CHILD CARE CREDIT AGAINST CIT

Category:	Citizen Benefits
Brief Description:	Corporations providing or paying for licensed childcare services for employees' children under 12 years of age may claim a credit equal to 30% of eligible expenses from their CIT liability for the tax year in which the expenses occur. This credit has a three-year carry forward. The credit may not exceed \$30,000 per taxpayer in any taxable year.
Statutory Basis:	7-2A-14 NMSA 1978
Intended Purpose:	To incentivize the provision of licensed childcare by corporations.
History:	Originally enacted in 1983 and amended in 1986 and 1995. Repealed in 2025 with an effective date of July 1, 2025.
Evaluation:	This credit has not been claimed for recent tax years.
Recommendations:	None.
Reliability Factor:	 1 - This credit is separately reported. No estimation is required.
Fiscal Impact:	None. The credit has not been claimed in the last three tax years. This credit is repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

DISABLED PERSON EXEMPTION FROM MOTOR VEHICLE EXCISE TAX

- Category:** Citizen Benefits
- Brief Description:** An individual is exempt from the motor vehicle excise tax if they have a disability at the time the person purchases a vehicle and can prove to the Motor Vehicle Division of Tax & Rev or its agent, that modifications have been made to the vehicle that are:
- (1) due to that person's disability; and
 - (2) necessary to enable that person to drive the vehicle or be transported in the vehicle.
- Statutory Basis:** 7-14-6(D) NMSA 1978
- Intended Purpose:** To lower the tax burden of purchasing a vehicle by individuals with a disability who need to modify their vehicles to drive them.
- History:** This exemption was originally enacted in 1988 and amended in 2007 to include Subsection D.
- Evaluation:** This tax expenditure meets its intended purpose of lowering the tax burden of disabled persons.
- Recommendations:** MVD interprets this exemption to require that the vehicle modification be made for the current purchaser's disability. A disabled person who purchases a used vehicle that was previously modified for a previous individual's disability is not eligible for this exemption. It may be the legislative intent for the exemption to only apply once over the life of the vehicle modifications. However, if the intent is to allow the exemption to be taken every time the vehicle changes ownership, the statute could be amended.
- Reliability Factor:**  3 - Information on the number of parking placards for mobility-impaired individuals was collected from MVD's Tapestry system. According to the Bureau of Transportation Statistics, 2.3% of disabled people have a specially modified vehicle. The national average prices of new and used vehicles were collected for each year and averaged together. In 2022, 6% of licensed drivers bought a new or used light vehicle. The total number of mobility-impaired placards was multiplied by the ratio of those with specially modified vehicles, then multiplied by 6% and then by the average price of a new and used vehicle. The resulting dollar amount was multiplied by the MVX rate of 4%. Higher car prices in recent years partly explain the increase in the estimate.


Fiscal Impact:

Disabled Person Exemption from MVX	Fiscal Year	2023	2024	2025
	Expenditure (thousands)	\$116	\$ 80	\$108

DISABLED STREET VENDORS EXEMPTION FROM GRT

Category:	Citizen Benefits
Brief Description:	Receipts of disabled street vendors from the sale of goods are exempt from GRT.
Statutory Basis:	7-9-41.3 NMSA 1978
Intended Purpose:	To eliminate the burden of having to file and pay GRT for disabled street vendors.
History:	Originally enacted in 2007.
Evaluation:	The compliance rate of the disabled vendors prior to the enactment of the exemption would be expected to be low, resulting in a minimal effective loss of revenue.
Recommendations:	None.
Fiscal Impact:	Unknown.

DISABLED VETERAN EXEMPTION FROM PROPERTY TAX

Category:	Citizen Benefits
Brief Description:	<p>Property owned by a disabled veteran, surviving spouse, or held in trust by a disabled veteran or the veteran’s surviving spouse is exempt from property taxation in an amount equal to the percentage of the veteran’s disability when occupied by the disabled veteran or surviving spouse as the principal place of residence. The exemption can remain on subsequently transferred property or attach to a new principal place of residency. Qualification of the exemption is done in collaboration between the Veterans’ Services Department, county assessors and the Taxation and Revenue Department.</p> <p>A “disabled veteran” is defined as an individual who:</p> <ul style="list-style-type: none">(1) has been honorably discharged from membership in the armed forces of the United States or issued a discharge certificate by a branch of the armed forces for civilian service recognized by federal law as service in the armed forces; and(2) has been determined by federal law to have a permanent and total service-connected disability.
Statutory Basis:	7-37-5.1 NMSA 1978
Intended Purpose:	To ease the tax burden of individuals whose service in the armed forces resulted in disability.
History:	Originally enacted in 2000 and amended in 2003, 2004, 2015, and 2025. The 2025 amendment is enabling legislation to implement November 2024 voter approved expansion of the exemption to allow an exemption based on the percentage of the veteran’s disability. Previously, only veterans with a 100 percent disability were granted a full property tax exemption.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	 2 - The fiscal impact is based on the reported number of taxpayers granted the disabled veteran exemption and the associated taxable value exempted in each county in annual County Assessor Evaluation Reports. The fiscal impact is rated a two as the exempted value by county is then multiplied by the weighted average residential mill rate for that county. The total fiscal impact is the sum of the county level estimates.

Fiscal Impact:


The fiscal impact is shared amongst various taxing authorities that impose the property tax. These include school districts, local governments, special districts and the state general obligation bond debt service fund. Note: The 2025 amendment to proportion the amount of exemption to the percentage of disability becomes effective for property tax year 2026. Prior to tax year 2026, the fiscal impacts below represent veterans with a 100 percent disability and full exemption from property tax liability.

Disabled Veteran Exemption from Property Tax	Tax Year	2021	2022	2023
	Claims	12,018	12,501	13,472
	Expenditure (thousands)	\$21,600	\$25,224	\$29,494

DISABLED VETERANS EXEMPTION FROM SPECIAL BENEFIT ASSESSMENT UNDER PROPERTY TAX

Category:	Citizen Benefits
Brief Description:	<p>Property owned by a disabled veteran, surviving spouse or held in trust by a disabled veteran or the veteran’s surviving spouse is exempt from the imposition of a special benefit assessment under property taxation when occupied by the disabled veteran or surviving spouse as the principal place of residence.</p> <p>A “disabled veteran” is defined as an individual who:</p> <ul style="list-style-type: none">(1) has been honorably discharged from membership in the armed forces of the United States or issued a discharge certificate by a branch of the armed forces for civilian service recognized by federal law as service in the armed forces; and(2) has been determined by federal law to have a one hundred percent permanent and total service-connected disability. <p>A “special benefit assessment” is defined as:</p> <ul style="list-style-type: none">(1) an assessment or levy authorized by law for benefits, damages, construction, improvements or maintenance on property that is specially benefited by the benefits, damages, construction, improvements or maintenance.
Statutory Basis:	7-37-5.4 NMSA 1978
Intended Purpose:	To ease the tax burden of individuals whose service in the armed forces resulted in disability.
History:	Originally enacted in 2015.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	Insufficient data to estimate the fiscal impact.
Fiscal Impact:	Unknown. In tax year 2023, 13,472 property owners qualified for the Disabled Veteran Exemption from Property Tax under 7-37-5.1 NMSA 1978. Data on the number of special benefit assessments across all counties that would impact disabled veterans property owners is not currently known to estimate a fiscal impact.

DOH-LICENSED HOSPITALS SIXTY PERCENT GRT AND GGRT DEDUCTION

- Category:** Health Care
- Brief Description:** 60% of the receipts of hospitals licensed by the Department of Health (DOH) are deductible from gross receipts.
- This deduction may be applied only to the taxable gross receipts remaining after all other appropriate deductions have been taken.
- Statutory Basis:** 7-9-73.1 NMSA 1978
- Intended Purpose:** To reduce the costs of hospital operations.
- History:** Originally enacted in 1991 and amended in 1993, 1995 and 2019.
- The 2019 amendment increased the deduction amount from 50% to 60%, made the receipts of non-profit hospitals taxable at the State rate with the 60% deduction, and made the receipts of government owned hospitals subject to the governmental gross receipts tax with a 60% deduction.
- Evaluation:** The economic subsidy provided by this deduction against gross receipts and governmental gross receipts tax is a social policy decision taken to reduce the total cost borne by New Mexicans for hospital care.
- Recommendations:** None.
- Reliability Factor:**  2 - The estimate uses individual tax filings from qualifying entities and assumes hospitals claim the maximum deduction allowable against their liability. When available, Tax & Rev applied the tax rates applicable to each hospital.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
DOH-Licensed Hospitals Sixty Percent GRT Deduction	State General Fund Expenditure (thousands)	\$171,581	\$213,107	\$213,811
	Local Government Expenditure (thousands)	\$24,530	\$46,180	\$30,948

DURABLE MEDICAL EQUIPMENT GRT AND GGRT DEDUCTION

Category: Economic Development

Brief Description: Receipts from the sale or rental of durable medical equipment and supplies are deductible from gross receipts and governmental gross receipts tax. Qualified taxpayers must derive no less than 90 percent of their gross receipts from the sale or rental of durable medical equipment, supplies, or infusion therapy services and medications used in infusion therapy.

Statutory Basis: 7-9-73.3 NMSA 1978


Intended Purpose: To help protect jobs and retain businesses in New Mexico that sell or rent durable medical equipment and medical supplies.

History: Originally enacted in 2014. Amended in 2020 to extend the sunset date of the deduction from July 1, 2020, to July 1, 2030. The 2025 amendment revised reporting requirements and removed certain obsolete language.

Evaluation: This deduction removes the gross receipts tax burden from sellers that would otherwise pass it on to consumers of these medically necessary goods.

The expenditure is determined to be effective based on the utilization of the deduction and testimony from the industry.

Recommendations: None.

Reliability Factor:  2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
	Taxpayers	110	245	219
Durable Medical Equipment Deduction	State General Fund Expenditure (thousands)	\$5,600	\$19,600	\$10,200
	Local Government Expenditure (thousands)	\$3,600	\$13,100	\$6,800

EDUCATION TRUST FUND PAYMENT DEDUCTION FROM PIT

Category: Citizen Benefits

Brief Description: A taxpayer may claim a deduction from net income in an amount equal to the payments made during the taxable year into the Education Trust Fund pursuant to an education investment agreement or prepaid tuition contract under the Education Trust Act in the taxable year for which the deduction is being claimed.


Statutory Basis: 7-2-32 NMSA 1978

Intended Purpose: To incentivize saving for various types of post-secondary education including vocational schools, community colleges and universities.

History: Originally enacted in 1997 and amended in 2023. The 2023 amendment expanded the definition of what types of education trust fund payments may be deductible from PIT for strictly college education trust fund payments to a broad array of post-secondary education schools.

Evaluation: The use of this incentive has been increasing over time. Between fiscal year 2023 and 2025, expenditures associated with this deduction have grown at an average rate of 28%.


Recommendations: None.

Reliability Factor:  2 - This deduction is separately reported. Some estimation is required.

Fiscal Impact:

Education Trust Fund Payment Deduction	Tax Year (Calendar)	2022	2023	2024
	Claims	5,595	5,816	5,665
	Expenditure (thousands)	\$2,529	\$2,496	\$2,480
	Fiscal Year	2023	2024	2025
	Claims	5,662	5,872	6,420
Expenditure (thousands)	\$2,356	\$2,671	\$2,993	

ENVIRONMENTAL MODIFICATIONS FOR MEDICAID RECIPIENTS GRT DEDUCTION

Category:	Health Care
Brief Description:	<p>Beginning July 1, 2024, and prior to July 1, 2034, receipts of an eligible provider for environmental modifications on a recipient's home that are necessary to ensure the recipient's health, welfare and safety which are reimbursed by the medical assistance division of the Health Care Authority may be deducted from gross receipts.</p> <p>Select definitions:</p> <p>(1) "environmental modifications" include the purchasing and installing of equipment to provide physical safety adaptations on a recipient's home to increase their ability to act independently.</p> <p>(2) "Medicaid" is the medical assistance program established pursuant to Title 19 of the federal Social Security Act.</p> <p>(3) "recipient" is a person eligible for Medicaid-related services through a waiver program granted by the Federal Department of Health and Human Services.</p>
Statutory Basis:	7-9-73.4 NMSA 1978
Intended Purpose:	To increase the number of Medicaid-related services a Medicaid recipient may receive to ensure the recipient's health, welfare and safety. Medicaid recipients under a waiver program receive an annual budget to purchase services, which includes covering all related taxes. Reducing the amount of GRT on services allows more of the recipient's annual budget to be used for direct care.
History:	Originally enacted in 2024.
Evaluation:	None.
Recommendation:	None.
Reliability Factor:	 4 – Tax & Rev cannot track the amount of this deduction as there is no statutory requirement for separately reporting. Data from the HCA on environmental modifications for Medicaid waiver participants was used to calculate the cost of this expenditure. The estimated deduction is multiplied by the statewide average GRT rate to estimate the cost.

Fiscal Impact:

Environmental Modifications for Medicaid Recipients Deduction	Fiscal Year	2025
	State General Fund Expenditure (thousands)	\$1,260
	Local Government Expenditure (thousands)	\$840


ELECTRIC TRANSMISSION AND STORAGE FACILITIES GRT AND COMPENSATING TAX DEDUCTION

Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>Receipts from selling equipment to the New Mexico Renewable Energy Transmission Authority (“RETA”) or an agent or lessee of the authority are deductible from gross receipts if the equipment is installed as part of an electric transmission facility or an interconnected storage facility acquired by the RETA, pursuant to the New Mexico Renewable Energy Transmission Authority Act.</p> <p>The value of equipment installed as part of an electric transmission facility or an interconnected storage facility acquired by the authority pursuant to the New Mexico Renewable Energy Transmission Authority Act, is deductible in computing the compensating tax due.</p>
Statutory Basis:	7-9-101 and 7-9-102 NMSA 1978
Intended Purpose:	To encourage the development of renewable energy transmission infrastructure in New Mexico.
History:	Both deductions were originally enacted in 2007 as part of legislation that enacted the New Mexico Renewable Energy Transmission Authority Act.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	The 2020 and 2022 annual reports from RETA indicate bond issuance and that projects are in construction or completed. The Western Spirit transmission project was completed during this time frame and began operation in December 2021. Further data is needed to determine if associated receipts from these projects qualify for this deduction.
Fiscal Impact:	Unknown.

ELECTRIC TRANSMISSION AND STORAGE FACILITIES SERVICES GRT DEDUCTION

Category:	Environment, Conservation & Renewable Energy
Brief Description:	Receipts from providing services to the New Mexico Renewable Energy Transmission Authority (RETA) or an agent or lessee of RETA for the planning, installation, repair, maintenance or operation of an electric transmission facility or an interconnected storage facility acquired by the authority pursuant to the RETA Act, are deductible from gross receipts.
Statutory Basis:	7-9-103 NMSA 1978
Intended Purpose:	The deduction is intended to encourage the development of renewable energy transmission infrastructure in New Mexico.
History:	Originally enacted in 2007 as part of legislation that enacted the New Mexico Renewable Energy Transmission Authority Act.
Evaluation:	None.
Recommendations:	It would be beneficial for RETA to provide data on the status of its current and planned operations as this and other RETA-based deductions have shown very little utilization in recent years.
Reliability Factor:	Unlike other electricity GRT deductions where some reporting has been initiated, there is no separate reporting of this GRT deduction. Further research and data from RETA, may allow for determination of taxpayers claiming this deduction.
Fiscal Impact:	Unknown.


ELECTRICITY CONVERSION GRT DEDUCTION

- Category:** Environment, Conservation & Renewable Energy
- Brief Description:** Receipts from the transmission of electricity where voltage source conversion technology is employed to provide such services, and from ancillary services, are deductible from gross receipts.
- This deduction works in tandem with the electricity exchange deduction provided in Section 7-9-103.2 NMSA 1978.
- Statutory Basis:** 7-9-103.1 NMSA 1978
- Intended Purpose:** To encourage businesses using voltage source conversion technology to locate in New Mexico.
- History:** Originally enacted in 2012. Amended in 2025 to require separate reporting by taxpayers starting July 1, 2025.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  3 –Starting July 1, 2025, taxpayers must separately report this deduction per statute. The reliability factor for this deduction is a 3 to reflect that some taxpayers may have claimed this deduction in error prior to July 1, 2025, and others may not be reporting under this deduction code. Tax & Rev will analyze data on future separate reporting. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
	Taxpayers	11	59	45
Electricity Conversion GRT Deduction	State General Fund Expenditure (thousands)	\$ 1,125	\$5,609	\$2,729
	Local Government Expenditure (thousands)	\$ 729	\$3,712	\$1,797

ELECTRICITY EXCHANGE GRT DEDUCTION

- Category:** Environment, Conservation & Renewable Energy
- Brief Description:** Receipts from the transaction and exchange of electric power, as a part of the transmission of electricity where voltage source conversion technology is employed to provide such services and from ancillary services, are deductible from gross receipts.
- This deduction works in tandem with the electricity conversion deduction provided in Section 7-9-103.1 NMSA 1978.
- Statutory Basis:** 7-9-103.2 NMSA 1978
- Intended Purpose:** To encourage the location of electricity exchanges in New Mexico.
- History:** Originally enacted in 2012. Amended in 2025 to require separate reporting by taxpayers starting July 1, 2025, and consent to reveal return information to comply with reporting of the Tax Expenditure Report.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  3 –Starting July 1, 2025, taxpayers must separately report this deduction per statute. The reliability factor for this deduction is a 3 to reflect that some taxpayers may have this deduction in error prior to July 1, 2025, and others may not be reporting under this deduction code. Tax & Rev will analyze data on future separate reporting. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Electricity Exchange GRT Deduction	Taxpayers	566	188	142
	State General Fund Expenditure (thousands)	\$4,331	\$8,473	\$9,822
	Local Government Expenditure (thousands)	\$2,839	\$5,607	\$6,467

EXCESS OF ELDERLY TAXPAYERS MAXIMUM PROPERTY TAX LIABILITY REBATE FROM PIT

Category: Citizen Benefits

Brief Description: Taxpayers who are 65 and older may claim a PIT rebate for their property tax that exceeds the maximum liability, ranging from \$20 to \$300 depending on the taxpayer’s modified gross income. A taxpayer whose modified gross income exceeds \$16,000 is not eligible for the rebate unless county in which the taxpayer’s principal place of residence has a resolution authorizing a \$25,000 gross income cap. This rebate is refundable.


Statutory Basis: 7-2-18 NMSA 1978

Intended Purpose: To offset the property tax costs for taxpayers who are often on fixed income.

History: Originally enacted in 1977 and amended in 1981, 1993, 1997, 1999, and 2003. Currently, no counties have passed a resolution increasing to the \$25,000 gross income cap.

Evaluation: According to the U.S. Census Bureau, the number of people over 65 who are in the labor force is increasing. By continuing to work, the likelihood is that these seniors’ income exceeds the statutory threshold so that they no longer qualify for this rebate. Also, some seniors rely on social security income, which is annually adjusted for cost-of-living. These adjustments may push some taxpayer’s income over the eligibility threshold. Since the income thresholds and the rebate amounts are not indexed to inflation, the beneficiary taxpayer group as well as the real value of the rebate shrinks over time.

Recommendations: None.

Reliability Factor:  1 - This rebate is separately reported. No estimation is required.

Fiscal Impact:

Excess of Elderly Taxpayers Maximum Property Tax Liability Rebate from PIT	Tax Year (Calendar)	2022	2023	2024
	Claims	13,900	11,987	10,936
	Expenditure (thousands)	\$2,908	\$2,502	\$2,277
	Fiscal Year	2023	2024	2025
	Claims	14,727	12,628	11,779
	Expenditure (thousands)	\$3,082	\$2,637	\$2,450

FEES FROM SOCIAL ORGANIZATIONS EXEMPTION FROM GRT

Category: Citizen Benefits

Brief Description: Receipts from dues and registration fees of nonprofit social, fraternal, political, trade, labor, or professional organizations and business leagues, are exempt from GRT.


Statutory Basis: 7-9-39 NMSA 1978

Intended Purpose: To reduce the tax burden of certain nonprofit entities.

History: Originally enacted in 1969 and amended in 1977.

Evaluation: With no direct data, a proper evaluation is difficult.


Recommendations: For clarity and consistency with other statutes addressing nonprofits, reference the United States Internal Revenue Code organization subsections that correspond to the description of organizations and leagues in statute.

Reliability Factor:  4 – The Internal Revenue Service (IRS) releases data for many nonprofits exempt from federal income tax who file an annual Form 990 Return. The National Center for Charitable Statistics (NCSS) has assembled IRS Form 990 data to report aggregate statistics by state. State-level data is available for total revenue and total assets by nonprofits sub-divided by the IRS subsections for 501(c). Assumptions are made as to which 501(c) organizations this statute applies to and the corresponding percentage of revenue coming from dues and fees. This percentage was assumed to be 75% based on the requirements for exemption for social clubs from the IRS.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Fees from Social Organizations Exemption from GRT	State General Fund Expenditure (thousands)	\$142	\$181	\$13
	Local Government Expenditure (thousands)	\$92	\$118	\$9

FEMININE HYGIENE PRODUCTS GRT DEDUCTION

- Category:** Citizen Benefits
- Brief Description:** Receipts from the sale of feminine hygiene products may be deducted from gross receipts and governmental gross receipts.
- As used in this section, "feminine hygiene products" means tampons, menstrual pads and sanitary napkins, pantliners, menstrual sponges and menstrual cups.
- Statutory Basis:** 7-9-120 NMSA 1978
- Intended Purpose:** To reduce the financial cost for consumers who require these products.
- History:** Originally enacted in 2022.
- Evaluation:** None.
- Recommendation:** None.
- Reliability Factor:**  3 - This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 3 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under the correct deduction code. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

Feminine Hygiene Products GRT Deduction	Fiscal Year	2023	2024	2025
	Taxpayers	33	43	25
	State General Fund Expenditure (thousands)	\$93	\$56	\$73
	Local Government Expenditure (thousands)	\$59	\$37	\$49

FILM AND TELEVISION CREDIT AGAINST PIT AND CIT

Category: Economic Development

Brief Description: For film production companies that commence principal photography on or after January 1, 2016, a refundable credit against PIT or CIT is available for 25% of direct production and postproduction expenditures made in New Mexico that are subject to taxation by the State of New Mexico and directly attributable to the production of a film or commercial audiovisual product. Under 2025 legislation, obsolete statutory language for credits available for the time period of 2016 to 2019 was repealed effective July 1, 2025.

For production companies that commence principal photography on or after July 1, 2019, the film credit is referred to as the “new film production tax credit.” Additional amendments to the credit in the 2023 legislative session created additional criteria for receiving a film credit which apply to the commencement of principal photography after July 1, 2023.

The following applied to film production between July 1, 2019, and July 1, 2023:

An additional 5% credit is available for direct production expenditures for television pilots and series with at least six episodes in a single season and a budget of at least \$50,000 per episode. The additional 5% also applies to direct production expenditures that are directly attributable to the wages and fringe benefits paid to a New Mexico resident directly employed in an industry crew position, excluding a performing artist, on a production with a total budget of:

- (1) not more than \$30,000,000 that shoots at least ten principal photography days at a qualified production facility in New Mexico; or
- (2) \$30,000,000 or more that shoots at least fifteen principal photography days at a qualified production facility in New Mexico.

For the “new film” tax credit, an additional 5% credit is available for direct production and postproduction expenditures for qualified film and television production located at least 60 miles outside of Bernalillo and Santa Fe Counties.

The following applies to film production on or after July 1, 2023:

An additional 10% credit shall be applied for payments for direct production expenditures and postproduction expenditures. For work, services or items provided on location for production of a film or commercial audiovisual product that is in New Mexico but at least 60 miles from the city hall of the

county seat of Class A counties with a net taxable value of property for property taxation purposes of greater than \$7.5 billion.

An additional 5% credit is available for either direct production expenditures for television pilots and series with at least six episodes in a single season or meeting criteria for the use of qualified production facilities, which are different building sites intended for regularly producing films.

A non-resident below-the-line crew credit is available in an amount equal to 15% of the payment of wages for below-the-line nonresident industry crew when certain criteria are met.

An aggregate annual cap limits payouts of the film production tax credit to \$110 million across both PIT and CIT programs for fiscal years prior to 2024. For fiscal year 2024 through fiscal year 2028, the annual cap is increased by \$10 million in each fiscal year. For fiscal year 2029 and subsequent fiscal years, the cap is \$160 million. New Mexico film partners, defined as having made a 10 year or more commitment by purchasing or entering a 10-year contract to lease a qualified production facility, are excluded from the annual cap for productions that commenced principal photograph after July 1, 2019.

Statutory Basis: 7-2F *et seq.* NMSA 1978

Intended Purposes: The purposes and goals of the film production tax credit are to:

1. establish the film industry as a permanent component of the economic base of New Mexico;
2. develop a pool of trained professionals and businesses in New Mexico to supply and support the film industry in the state;
3. increase employment of New Mexico residents;
4. improve the economic success of existing businesses in New Mexico; and
5. develop the infrastructure in the state necessary for a thriving film industry.

History: Originally enacted in 2002 and amended in 2003, 2005, 2006, 2007, 2011, 2013, 2015, 2016, 2019, 2023, and 2025.

The 2011 amendment added a \$50 million cap, provided tracking requirements, required film production companies to submit the application/claim within one year after making their final expenditure in New Mexico, and required mandatory income tax withholding on non-resident actors. Although the 2011 amendment capped the annual payout to \$50 million, it did not stop credits from being approved for payment in subsequent years, thereby creating a \$127 million backlog of approved but unpaid credits that were ultimately repaid in FY2019 and FY2020.

The 2013 amendment allowed the additional 5% to be added to the calculation for the film production tax credit for television shows subject to certain requirements; also allowed for any amount of annual film credit that

was unused in Fiscal Years 2013-2015 under the \$50 million cap — up to a maximum of \$10 million — to be carried forward and added into the subsequent fiscal year’s cap; in any year where the \$50 million cap was not reached, if there were amounts that would be paid in a subsequent year under the multi-year provisions of the film credit, those subsequent year amounts may be paid in the current year up to the \$50 million cap; provided more specific requirements for withholding taxes related to services provided by artists under the “direct production expenditures” provisions of the credit, and provided for a definition of “qualified production facility” and clarified tax obligations of non-resident vendor services.

In 2015, the film and television tax credit added credits for television pilots and series, qualified production facilities, non-resident industry crews, limited payments for performing artists, and added requirements to contract with certain vendors. An additional amendment added a provision for a film production company that is eligible to receive a film production credit, to assign payment of all or a portion of the credit to either a third-party financial institution or another authorized third party. The 2015 amendment had no impact on the time periods covered by this report.

The 2019 amendment allowed for an additional credit of 5% for direct expenditures of qualified film and television productions located more than 60 miles outside of the boundaries of Bernalillo and Santa Fe counties, and increased the annual cap of the credit from \$50 million to \$110 million. The 2019 expanded cap excludes credits paid to New Mexico film partners that have made a 10 or more year commitment by purchasing property or entering a lease of a qualified film production facility in New Mexico.

The 2023 amendment increased the fiscal year annual cap by \$10 million per year for fiscal years 2024 through 2028, reaching \$160 million and then holds the cap at \$160 million for fiscal year 2029 and beyond. The amendment created an additional amount of credit for payments applied to direct production expenditures by a New Mexico film partners and changed other additional amounts for expenditures including the amounts for nonresident below the line crew.

The 2025 amendment repealed sections 7-2F-1, 7-2F-2.1 and sections 7-2F-6 through 7-2F-11 NMSA 1978 effective July 1, 2025. These sections applied to obsolete credit language for productions between 2016 and 2019.

Evaluation:

The film and television industry is highly competitive, with many states and countries competing to incentivize film and television production in their location. The incentive has been extremely effective in attracting major film and television productions. Recent amendments have increased filming in rural locations, and may incentivize film production companies to make long-term investments in New Mexico. The lower credit amount for FY2025 is seen as the lag impact of the slowdown in the industry due to strikes and taxpayer behavior as to when they decide to claim credits.

For recent studies and presentations on the impact of the film credit for New Mexico and the economy, see “Economic Impact of the New Mexico Film @Production Tax Credit Update,” by the New Mexico Film Office, Economic Development Department, December 19, 2022, see: [NM-Film-Study-Update-2022-2.pdf](https://nmfilm.com/assets/uploads/NM-Film-Study-Update-2022-2.pdf)
<https://nmfilm.com/assets/uploads/NM-Film-Study-Update-2022-2.pdf>

And, “New Mexico Film Incentives: Update and Analysis,” by economist Brendon Gray at the Legislative Finance Committee, September 27, 2023, see: [ALFC 092723 Item 3 Film Production Tax Credit Update and Analysis.pdf](https://www.nmlegis.gov/handouts/ALFC%20092723%20Item%203%20Film%20Production%20Tax%20Credit%20Update%20and%20Analysis.pdf),
<https://www.nmlegis.gov/handouts/ALFC%20092723%20Item%203%20Film%20Production%20Tax%20Credit%20Update%20and%20Analysis.pdf>

Recommendations: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:


	Fiscal Year	2023	2024	2025
Film and Television Credit Against PIT and CIT	Credits subject to Film cap (thousands)	\$100,237	\$92,630	\$28,705
	Film Partners (thousands)	\$3	\$9,536	\$5,260
	Total Expenditure (thousands)	\$100,240	\$102,166	\$33,966

FOSTER YOUTH EMPLOYMENT CREDIT AGAINST PIT AND CIT

Category:	Citizen Benefits
Brief Description:	<p>A taxpayer who is not a dependent of another taxpayer and employs a qualified foster youth in New Mexico is eligible for a credit against the taxpayer's PIT or CIT liability. The credit amount is up to \$1,000 of gross wages paid during the taxable year and may be claimed for multiple qualified foster youth, but the credit must be claimed within one calendar year from the date of hire.</p> <p>A "qualified foster youth" is defined as an individual:</p> <p>(1) who:</p> <ul style="list-style-type: none">(a) is currently in the legal custody of the Children, Youth and Families Department or a New Mexico Indian nation, tribe or pueblo or the United States Department of the Interior, Bureau of Indian Affairs, Division of Human Services; or(b) within the seven years prior to the taxable year for which the credit is claimed was aged 14 years or older and was in the legal custody of the Children, Youth and Families Department or a New Mexico Indian nation, tribe or pueblo or the United States Department of the Interior, Bureau of Indian Affairs, Division of Human Services. <p>(2) who works at least 20 hours per week during the taxable year for which the credit is claimed; and</p> <p>(3) who was not previously employed by the taxpayer during the prior taxable year.</p> <p>Any portion of credit that is not used against the taxpayer's liability may be carried forward for up to three years. This credit cannot be transferred to another taxpayer, but it can be allocated based on a taxpayer's ownership interest in a business.</p>
Statutory Basis:	7-2-18.30 and 7-2A-29 NMSA 1978
Intended Purpose:	To encourage the employment of individuals who as youth were adjudicated as abused or neglected or who were in the legal custody of the Children, Youth and Families Department or a New Mexico Indian nation, tribe or pueblo or the United States Department of the Interior, Bureau of Indian Affairs, Division of Human Services.
History:	Originally enacted in 2018. Repealed in 2025 with an effective date of July 1, 2025.

Evaluation: Tax expenditures that target the hiring of individuals who may have difficulty entering the work force have precedent with the current federal Work Opportunity Tax Credit. The federal credit targets several employee groups and has successfully been administered at the federal level. Research supports foster youth appearing to have high unemployment rates in the work force. To date, the state credit has never been claimed. Based on a comparison to the federal credit, the certification process and the relatively low credit amount may be impediments to employers considering the credit.

Recommendation: None.

Reliability Factor:  1 – The credit is separately reported. No estimation is required.


Fiscal Impact: None. This credit has never been claimed.

This credit was repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual tax Expenditure Report.

FUEL FOR SPACE VEHICLES EXEMPTION FROM GRT AND COMPENSATING TAX

Category:	Highly Specialized Industry
Brief Description:	Receipts from the sale and the use of fuel, oxidizer, or a substance that combines fuel and oxidizer to propel space vehicles or to operate space vehicle launchers are exempt from GRT and compensating tax.
Statutory Basis:	7-9-26.1 NMSA 1978
Intended Purpose:	To incentivize launches at Spaceport America and elsewhere in the state.
History:	Originally enacted in 2003 as part of legislation exempting several space-related activities from GRT and compensating tax.
Evaluation:	Publicly available information published by Spaceport America, in 2017 a company expanded at the Spaceport to include manufacturing fueled motors. Two other operators that would require refueling activities have also made significant investments at the site and others have signed partnerships with the Spaceport Authority. Additionally, a space focused small business relocated its headquarters to New Mexico, but progress on actual launches appears to be sporadic.
Recommendations:	Consider replacing this exemption with a separately reported deduction to allow estimation of the associated fiscal impact.
Reliability Factor:	No data is available to estimate the fiscal impact, but it is probably minimal. Without a reporting requirement, it is difficult to ascertain the size of this exemption.
Fiscal Impact:	Unknown.


FUTURE DISTRIBUTION TO A NONRESIDENT BENEFICIARY DEDUCTION FROM PIT

Category:	Economic Development
Brief Description:	A taxpayer that is an estate or trust may claim a deduction from net income in the amount equal to income set aside for future distribution to a nonresident individual beneficiary. The deduction excludes income derived from New Mexico real property, oil and gas, and water interests as well as income that the estate or trust would allocate or apportion to New Mexico.
Statutory Basis:	7-2-38 NMSA 1978
Intended Purpose:	To increase estate and trust business in New Mexico.
History:	Originally enacted in 2019. This deduction sunset on January 1, 2025.
Evaluation:	Further data would be needed to assess whether this deduction increased estate and trust business in New Mexico. Although most states tax all income of resident trusts and then offer a credit for taxes paid to another state on trust income, New Mexico is different. New Mexico allows trust income to be apportioned. Apportioning trust income outside of New Mexico means that it is not subject to New Mexico tax and no credit for taxes paid to other states is needed. This deduction allowed trust income owed to a non-resident beneficiary to be deducted; that did not seem necessary since New Mexico allows it to be apportioned elsewhere to avoid taxation in New Mexico. Further, providing a benefit to resident trusts but not to non-resident trusts may violate the commerce clause of the United States Constitution.
Recommendation:	None.
Reliability Factor:	 2 - This expenditure is calculated directly using taxpayer data as the deduction is separately reported on fiduciary income tax returns. The reliability factor is at a 2 given there is a degree of estimation involved under a fiduciary income tax return.

Fiscal Impact:

Future Distribution to a Non-Resident Beneficiary Deduction from PIT	Tax Year (Calendar)	2022	2023	2024
	Claims	130	132	102
	Expenditure (thousands)	\$323	\$192	\$278
	Fiscal Year	2023	2024	2025
	Claims	107	128	121
	Expenditure (thousands)	\$884	\$1,852	\$265

GEOTHERMAL ELECTRICITY GENERATION-RELATED SALES AND USE GRT AND COMPENSATING TAX DEDUCTION


Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>Beginning January 1, 2025, and prior to July 1, 2032, receipts from the sale of tangible personal property or services associated with constructing and equipping a geothermal electricity generation facility may be deducted from gross receipts or compensating tax. The tangible personal property or services must be related to the construction or equipping of a geothermal electricity generation facility or for sales of tangible personal property used in the distribution of electricity to a geothermal electricity generation facility.</p> <p>The sale must be made to a person who holds an interest in a geothermal electricity generation facility and who delivers a nontaxable transaction certificate to the seller or provides alternative evidence pursuant to Section 7-9-43 NMSA 1978.</p> <p>Select definitions:</p> <p>(1) “geothermal electricity generation facility” means a new facility built on or after January 1, 2025, or an existing facility which after January 1, 2025, increases the amount of electricity generated from geothermal resources by at least one hundred percent.</p> <p>(2) “geothermal resources” is the natural heat below the surface of the earth which is extracted through different forms in excess of two hundred fifty degrees Fahrenheit and may heat or cool buildings through on-site geexchange heat pumps or other systems.</p>
Statutory Basis:	7-9-112.1 NMSA 1978
Intended Purpose:	To encourage investment in geothermal electricity generation and promote renewable energy development.
History:	Originally enacted in 2024 and amended in 2025.
Evaluation:	None.
Recommendation:	None.
Reliability Factor:	 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

	Fiscal Year	2025
GRT Deduction – Constructing and Equipping a Geothermal Generation Facility	Taxpayers	18
	State General Fund Expenditure (thousands)	\$99
	Local Government Expenditure (thousands)	\$65
GRT Deduction – Geothermal Electricity Distribution System Installation	Taxpayers	<3
	State General Fund Expenditure (thousands)	--
	Local Government Expenditure (thousands)	--
GRT Deduction – Geothermal Generation Facility Construction Plant Costs	Taxpayers	<3
	State General Fund Expenditure (thousands)	--
	Local Government Expenditure (thousands)	--

TABLE NOTE: "--" Means data is redacted due to fewer than 3 taxpayers.

GEOTHERMAL GROUND-COUPLED HEAT PUMP CREDIT AGAINST PIT AND CIT


Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>A taxpayer who purchases and installs after January 1, 2024 but before December 31, 2034³⁸ a geothermal ground-coupled heat pump in a residence, business, or agricultural enterprise in New Mexico may claim a credit up to 30% of the purchase and installation costs against PIT or CIT. For credits prior to tax year 2024, the portion of the unused credit may be carried forward for a maximum of 10 consecutive years. For credits issued for tax year 2024 and after, the credit is refundable. The total geothermal ground-coupled heat pump tax credit allowed to a taxpayer shall not exceed \$9,000. The department may allow a maximum annual aggregate of \$8 million in geothermal ground-coupled heat pump tax credits. EMNRD certifies taxpayer credits.</p> <p>A “geothermal ground-coupled heat pump” is a device that provides space or water heating or cooling via direct or indirect utilization of heat below the surface of the earth.</p>
Statutory Basis:	7-2-18.24 and 7-2A-24 NMSA 1978
Intended Purpose:	To foster adoption of geothermal ground-coupled heat pumps.
History:	Originally enacted in 2009 and amended in 2024 and 2025. The 2024 amendment extended the sunset date from 2020 to 2034, made the credit refundable, and increased the annual aggregate amount of credits allowed to \$4 million from \$2 million.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	 1 - This credit is separately reported. No estimation is required.

³⁸ Prior law before amended in 2024, effective May 15, 2024, installation had to occur after January 1, 2010 and before December 31, 2020.

Fiscal Impact:

Geothermal Ground-Coupled Heat Pump Credit against PIT and CIT	Tax Year (Calendar)	2022	2023	2024
	Claims	74	41	22
	Expenditure (thousands)	\$91	\$43	\$19
	Fiscal Year	2023	2024	2025
	Claims	81	47	25
	Expenditure (thousands)	\$111	\$54	\$22


GOODS AND SERVICES FOR THE DOD RELATED TO DIRECTED ENERGY AND SATELLITES GRT DEDUCTION

Category:	Highly Specialized Industry
Brief Description:	<p>Prior to January 1, 2031, receipts from the sale by a qualified contractor of qualified research and development services and qualified directed energy and satellite-related inputs, may be deducted from gross receipts when sold pursuant to a contract with the U.S. Department of Defense.</p> <p>A taxpayer allowed a deduction pursuant to this section shall report the amount of the deduction separately in a manner required by Tax & Rev.</p> <p>Definitions:</p> <p>(1) "directed energy" means a system, including related services, that enables the use of the frequency spectrum, including radio waves, light and x-rays;</p> <p>(2) "inputs" means systems, subsystems, components, prototypes and demonstrators or products and services involving optics, photonics, electronics, advanced materials, nanoelectromechanical and microelectromechanical systems, fabrication materials and test evaluation and computer control systems related to directed energy or satellites.</p>
Statutory Basis:	7-9-115 NMSA 1978
Intended Purpose:	To promote new and sophisticated technology, enhance the viability of directed energy and satellite projects, attract new projects and employers to New Mexico and increase high-technology employment opportunities in New Mexico.
History:	Originally enacted in 2015, amended in 2019 and 2025. The 2019 amendment extended the sunset by 10 years to January 1, 2031. The 2025 amendment revised reporting requirements.
Evaluation:	The deduction has incentivized the growth of this advanced technology industry in New Mexico as demonstrated by the growth in the use of the deduction.
Recommendations:	None.
Reliability Factor:	 2 - This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions.

Fiscal Impact:

DoD Directed Energy and Satellites Deduction	Fiscal Year	2023	2024	2025
	Taxpayers	25	39	39
	State General Fund Expenditure (thousands)	\$5,522	\$14,039	\$11,161
	Local Government Expenditure (thousands)	\$3,531	\$9,359	\$7,441

HEAD-OF-FAMILY EXEMPTION FROM PROPERTY TAX

Category:	Citizen Benefits
Brief Description:	<p>Property owned by the head of a family who is a New Mexico resident, or property held in trust for the head of a family, is eligible for a \$2,000 exemption from property taxation. The exemption shall be deducted from the taxable value of the property to determine the net taxable value of the property. The exemption may only be granted in one county in any tax year.</p> <p>“Head of a family” is defined as a New Mexico resident who is either:</p> <ol style="list-style-type: none">(1) A married person, but only one spouse in the household may qualify for the exemption; or(2) A widow or widower; or(3) A head of household who contributes more than one-half of the cost to support any related person; or(4) A single person, but only one person in a household may qualify for the exemption; or(5) A member of a condominium association or like entity who pays the property tax through the association.
Statutory Basis:	7-37-4 NMSA 1978
Intended Purpose:	The exemption supports home ownership and building capital for New Mexico residents and their families.
History:	Originally enacted in 1973 and amended in 1983, 1989, 1991, and 1993.
Evaluation:	None.
Recommendations:	To ensure that inflation does not erode the value of this exemption, the \$2,000 exemption amount established in 1993 could be re-indexed for inflation and thereafter adjusted annually for inflation.
Reliability Factor:	 2 - The fiscal impact is based on the reported number of taxpayers granted the head-of-family exemption and the associated taxable value exempted in each county in the annual County Assessor Evaluation Reports. The fiscal impact is rated a two as the exempted value by county is then multiplied by the weighted average residential mill rate for that county. The total fiscal impact is the sum of the county level estimates. Tax Year 2023 is the most recent data available.

Fiscal Impact: The fiscal impact is shared by various taxing authorities that impose the property tax. These include school districts, local governments, special districts and the state general obligation bond debt service fund.

Head-of-Family Exemption from Property Tax	Tax Year	2021	2022	2023
	Claims	284,260	278,532	276,111
	Expenditure (thousands)	\$16,831	\$17,367	\$17,087

HEALTH CARE PRACTITIONER SERVICES GRT DEDUCTION AND HOLD HARMLESS DISTRIBUTION

Category: Health Care

Brief Description: Receipts of licensed health care practitioners from payments by managed health care providers or by health care insurers for commercial contract services or by Medicare Part C services provided by a health care practitioner, are deductible from gross receipts.

The deduction is separately reported. In 2016, Section 7-1-69.2 was enacted to add a penalty for incorrectly filing for this deduction instead of claiming other exemptions or deductions that must be taken first, resulting in a hold harmless distribution. The penalty is equal to 20% of the value of the hold harmless distribution resulting from the incorrect deduction.

The originating legislation provided for local governments to be held harmless from revenue losses associated with this deduction. Under 2013 legislation, hold harmless distributions were to be phased out over 15 years with exceptions for certain small municipalities and counties. Legislation in 2022 provided for additional exceptions to the phaseout for municipalities with a population over 10,000 and that had not enacted a local-option GRT hold harmless rate. Depending on the municipality's poverty level, as determined by the American Community Survey, the hold harmless distribution no longer phases-out but holds at either 30%, 50% or 80%.

Statutory Basis: 7-9-93, 7-1-6.46, and 7-1-6.47 NMSA 1978


Intended Purpose: To recruit and retain health care providers in the state.

History: All three sections of law were originally enacted in 2004 and amended in 2006 and 2007. Sections 7-1-6.46 and 7-1-6.47 NMSA 1978 were amended in 2013 to initiate the phaseout of local hold harmless distributions. Section 7-9-93 was amended in 2016, following case law that allowed the deduction to be claimed by hospitals, to reinstate the presumed original intention of the deduction by clarifying that the deduction is restricted to health care practitioners only and not hospitals. Section 7-9-93 was amended in 2021 to clarify that physician practice groups are eligible to claim the GRT deduction. Sections 7-1-6.46 and 7-1-6.47 NMSA 1978 were amended in 2022 to make exceptions to the phaseout of the hold harmless distributions.

A 2023 amendment to 7-9-93 NMSA 1978 temporarily expands the deduction to include all receipts from copayments and deductibles paid by an insured to a healthcare practitioner for commercial contract services provided under health insurance until June 30, 2028. A 2024 amendment to 7-9-93 NMSA 1978 clarified the definition of a copayment. 2025 amendments deleted certain obsolete language and clarified language in all three sections.

Evaluation: Because of the local hold harmless provision and the loss of the revenue, this deduction comes at a significant cost to the State General Fund.

Recommendations: None.


Reliability Factor:  1 – This deduction is separately reported. No estimation is required. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Health Care Practitioner Services GRT Deduction and Hold Harmless Distribution	State General Fund Expenditure from Local Hold Harmless Distributions (thousands)	\$15,282	\$16,565	\$18,941
	State General Fund Expenditure from Deduction (thousands)	\$37,203	\$44,239	\$54,912
	Net State General Fund Expenditure (thousands)	\$52,485	\$60,804	\$73,853
	Local Government Expenditure from Deduction (thousands)	\$24,103	\$28,993	\$35,988
	Net Local Government Expenditure	\$8,821	\$12,428	\$17,047

HEARING AND VISION AIDS GRT DEDUCTION

Category:	Health Care
Brief Description:	Receipts from the sale of vision and hearing aids or from fitting and dispensing of these types of aids are deductible from gross receipts. Definitions: (1) “vision aids” are defined as closed circuit television systems, monoculars, magnification systems, speech output devices or other systems specifically designed for use by persons with low vision or visual impairment and not normally used by a person who does not have low vision or visual impairment; (2) “visual impairment” is defined as a central visual acuity of 20/200 or less in the better eye with use of a correcting lens, or a limitation in the fields of vision so the widest diameter of visual field subtends an angle of 20 degrees or less; and (3) “hearing aids” are defined as small electronic prescription devices that amplify sound and are usually worn in or behind the ear of a person with impaired hearing.
Statutory Basis:	7-9-111 NMSA 1978
Intended Purpose:	To benefit people who, due to medical conditions, need hearing and vision aids. The deduction reduces the tax burden imposed by GRT.
History:	Originally enacted in 2007.
Evaluation:	The U.S. Centers for Disease Control and Prevention reports that half of adults who are 75 and older report some hearing loss. This is a population that is primarily covered by Medicare, but Medicare does not reimburse for hearing aids or the exams needed for fitting aids. Those who served in the US military can have hearing aids covered through the Department of Veterans Affairs. The cost of one hearing aid can be between \$1,000 and \$4,000 making it cost prohibitive for many people to purchase one aid let alone two. Access to affordable vision and hearing aids improves quality of life.
Recommendations:	None.

Reliability Factor:  4 – Data from the RP-80, NAICS codes Optical Goods Stores and All Other Health and Personal Care Stores, were used to estimate the expenditure. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. A recent NAICS code revision by the federal Office of Management & Budget is reflected in FY25 estimates.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Hearing and Vision Aids GRT Deduction	State General Fund Expenditure (thousands)	\$912	\$880	\$180
	Local Government Expenditure (thousands)	\$583	\$587	\$120

HIGH-WAGE JOBS CREDIT AGAINST MODIFIED COMBINED TAX

Category:	Economic Development
Brief Description:	<p>Eligible employers that create high-wage jobs in New Mexico may apply for a tax credit against State GRT compensating tax, withholding tax, the interstate telecommunications GRT, E911 surcharge and telecommunications relay service surcharge. The credit does not apply against local option GRT. The deadline for creating a new high-wage job is July 1, 2026. An “eligible employer” is an employer that is eligible for the Job Training Incentive Program (JTIP) administered by EDD.</p> <p>The amount of the credit is 8.5% of the qualifying wages and benefits of an eligible job up to \$12,750 per qualifying period for each new job. If an eligible employer meets the requirements, there is no upward limit on the potential number of total credits claimed. The credit is refundable.</p>
Statutory Basis:	7-9G-1 NMSA 1978
Intended Purpose:	To provide an incentive for businesses to create and fill new high-wage jobs in New Mexico.
History:	<p>Originally enacted in 2004 and amended in 2007, 2008, 2013, 2016, 2019, 2021, and 2025.</p> <p>The 2013 amendment clarified the application of the high-wage jobs tax credit; defined benefits and wages; added the purpose section; clarified the \$12,000 limitation applied per job per qualifying period; limited the time for which a taxpayer can apply for approval of the credit to no later than 12 months following the end of the calendar year in which the taxpayer’s final qualifying period closes; closed a loophole with respect to mergers, acquisitions, and reorganizations; changed the population threshold for rural/urban distinction from 40,000 to 60,000; clarified that the goods or services sold must be produced in New Mexico; added a requirement that the taxpayer be certified by EDD as an “eligible employer” for development training program assistance ; clarified that a “new high-wage economic-based job” must be a new job and must be in New Mexico; extended the deadline to hire to July 1, 2020; and increased the wages that must be paid to qualify after July 1, 2015 (from \$40,000 to \$60,000 in urban communities and from \$28,000 to \$40,000 in rural communities).</p> <p>The 2016 amendment changed the eligibility requirements to qualify for the credit and required annual filing; closed gaps that allowed unintended recipients to receive the credit; and removed employee benefits from the calculation of the credit value.</p> <p>The 2019 amendment removed the requirement of “economic based” from the high wage job classification; reduced the reimbursement rate from 10%</p>

of wages to 8.5%; increased the eligible benefit per job from \$12,000 to \$12,750; reduced the qualifying period for a “new high-wage job” and “threshold job” from 48 weeks to 44 weeks; and extended the end date for the credit based on the creation of a “new high-wage job” from July 1, 2020 to July 1, 2026.

The 2025 amendment changed the definition of “threshold job” to refer to the first 52 weeks of employment instead of the previous calendar year.

For a recent analysis on the impact of the high-wage jobs credit, see the Tax-E “High-Wage Job Tax Credit,” provided by the Legislative Finance Committee, see the Tax Expenditure Assessments at: [https://www.nmlegis.gov/Entity/LFC/Revenue Economic Reports and Tax Policy](https://www.nmlegis.gov/Entity/LFC/Revenue_Economic_Reports_and_Tax_Policy).

Evaluation: None.

Recommendations: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

High-Wage Jobs Credit against Modified Combined Tax	Tax Year	2022	2023	2024
	Claims	54	80	40
	Expenditure (thousands)	\$5,676	\$12,704	\$4,696
	Fiscal Year	2023	2024	2025
	Claims	46	89	86
	Expenditure (thousands)	\$4,142	\$11,185	\$9,215

HOME FIRE RECOVERY INCOME TAX CREDIT AGAINST PIT

Category: Citizen Benefits

Brief Description: A taxpayer who is not dependent of another taxpayer and incurs qualified home expenditures for a home in New Mexico to replace a prior home that was destroyed by a wildfire in calendar years 2021 through 2023 may claim a credit against the taxpayer's income tax liability.

The credit equals the qualified home expenditures incurred by the taxpayer not to exceed \$50,000 per home and must receive certification from the Construction Industries Division of the Regulations and Licensing Department (RLD). The taxpayer must apply for the credit no later than 12 months after the calendar year in which the construction of the home is completed. The aggregate annual cap of credits that may be certified is \$5 million, with applications considered in the order received. The credit is non-refundable and may be carried forward for three consecutive tax years. The credit is effective for taxable years 2024 through December 31, 2029.

Select definitions:

(1) "home" means a dwelling designed for long-term habitation in which the taxpayer resides for a majority of the year and is:

- a. Constructed permanently on a taxpayer's property with a foundation and that cannot be moved; or
- b. A manufactured home or modular home that is a single-family dwelling with a heated area of at least thirty-six by twenty-four feet and at least eight hundred sixty-four square feet and constructed and installed to meet federal and New Mexico standards.

(2) "qualified home expenditures" means gross expenditures for the construction or manufacture of a home on the same property in New Mexico that a taxpayer's prior home was destroyed by a wildfire in calendar years 2021 through 2023, less any compensation related to home construction, manufacture or repair costs received pursuant to the federal Hermit's Peak/Calf Canyon Fire Assistance Act or from insurance or other source of compensation.


Statutory Basis: 7-2-18.35 NMSA 1978

Intended Purpose: To mitigate the cost to a taxpayer for the reconstruction of a home destroyed in a wildfire by reducing the taxpayer's personal income tax liability.

History: Originally enacted in 2024 and amended in 2025.


Evaluation: None.

Recommendation: As this credit has not been claimed, RLD or the New Mexico Department of Homeland Security and Emergency Management (DHSEM) may need to conduct outreach to taxpayers who may qualify for the credit.

Reliability Factor:  1 – This credit is separately reported.

Fiscal Impact: No taxpayer has claimed this credit.

HOSTING WORLD WIDE WEB SITES GRT DEDUCTION

- Category:** Economic Development
- Brief Description:** Receipts from internet connected facilities that store data are deductible from gross receipts. Despite the title, the statute indicates it is not limited to facilities that provide web-hosting. Any facility storing data and connected to the internet qualifies for this deduction.
- Statutory Basis:** 7-9-56.2 NMSA 1978
- Intended Purpose:** Presumably to incentivize data centers to relocate to New Mexico.
- History:** Originally enacted in 1998.
- Evaluation:** According to Data Center Map (datacentermap.com), there are currently 22 colocation data centers operating in the state; 17 of them are located in Albuquerque, 1 in Taos, 1 in Clovis, 2 in Santa Teresa, and 1 in Santa Fe. The majority of these companies started operations in New Mexico after the deduction became effective. However, the statute is written broadly enough that any facility storing data and connected to the internet qualifies.
- Recommendations:** None.
- Reliability Factor:**  2 - The GRT deduction taken by all the companies filing under a NAICS code indicating a primary business of Data Processing, Hosting, and Related Services was summed. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Hosting World Wide Web Sites GRT Deduction	State General Fund Expenditure (thousands)	\$1,290	\$1,480	\$1,518
	Local Government Expenditure (thousands)	\$830	\$970	\$995

INCOME TAX REBATE 2020 TAX YEAR FILING

Category: Citizen Benefits

Brief Description: Resident taxpayers who were not dependents, who received the working families tax credit against their tax year 2020 income tax liability, and who met income eligibility criteria received a one-time tax rebate of \$600. Single filers with AGI not exceeding \$31,200 and heads of household, surviving spouses and married individuals filing joint returns with AGI not exceeding \$39,000 were eligible for this rebate. The rebate was not allowable after June 30, 2022.

Statutory Basis: 7-2-7.4 NMSA 1978

Intended Purpose: To provide temporary economic relief to low-income workers from the COVID-19 pandemic and aid in a quick economic recovery of the state. Targeted to benefit low-income essential workers in industries such as food services and retail.

History: Originally enacted in 2021.

Evaluation: This rebate targeted working taxpayers more susceptible to the impacts of the COVID-19 induced recession. This included low-wage individuals working in the service industry who faced temporary furloughs and lay-offs. Federal and state relief are cited as contributing to the recovery in consumer spending as the loss of wages to a significant portion of the labor force was supplemented with the rebate.

Recommendation: Repeal is recommended as this rebate can no longer be claimed, and the return amendment period has passed.

Reliability Factor:  1 – This rebate is separately reported, and no estimation is required.

Fiscal Impact: Note: reporting more than three years to maintain history of non-recurring rebate data. Data in FY2025 is negative due to return amendments and reversal of some rebates.

2020 income tax rebate	Tax Year (Calendar)	2020	2021	2022	2023	2024	
	Claims	171,445	NA	NA	NA	NA	
	Expenditure (thousands)	\$102,547					
	Fiscal Year	2021	2022	2023	2024	2025	
	Claims	164,227	6,825	666	90	NA	
	Expenditure (thousands)	\$97,663	\$4,521	\$399	\$53	(\$89)	

INCOME TAX REBATE 2021 TAX YEAR FILING

Category: Citizen Benefits

Brief Description: Resident taxpayers who were not dependents and who meet income eligibility criteria are eligible for an income tax rebate when filing their tax year 2021 personal income tax return. Single filers and married individuals filing separate returns, with AGI not exceeding \$75,000, were eligible for a \$250 rebate. Heads of household, surviving spouses and married individuals filing joint returns with AGI not exceeding \$150,000 were eligible for a \$500 rebate. The rebate was not allowable after June 30, 2023.


Statutory Basis: 7-2-7.6 NMSA 1978

Intended Purpose: To provide temporary economic relief to low-income New Mexico residents during inflationary price increases.

History: Originally enacted in 2022.

Evaluation: None.

Recommendation: None.

Reliability Factor:  1 – This rebate is separately issued, and no estimation is required.


Fiscal Impact: Note: reporting more than three years to maintain history of non-recurring rebate data.

2021 income tax rebate	Tax Year (Calendar)	2021	2022	2023	2024	
	Claims	838,132	NA	NA	NA	
	Expenditure (thousands)	\$302,305				
	Fiscal Year	2022	2023	2024	2025	
	Claims	767,373	67,847	2,557	310	
	Expenditure (thousands)	\$277,008	\$23,704	\$1,331	\$245	

INVESTMENT CREDIT AGAINST GRT, COMPENSATING TAX, OR WITHHOLDING TAX

Category:	Economic Development
Brief Description:	<p>The investment credit is for equipment owned and introduced into New Mexico for use by a taxpayer in a new or expanded manufacturing operation.</p> <p>To be eligible for the credit, prior to June 30, 2030, the taxpayer must employ one full-time equivalent (“FTE”) for every \$750,000 of qualified equipment claimed (up to \$30 million) and one FTE for every \$1 million of qualified equipment claimed (over \$30 million).</p> <p>The credit may be applied against a maximum of 85% of a taxpayer’s state and local option gross receipts (GRT), compensating (CMP) tax, and withholding tax (WH) liability, but first must be applied to gross receipts and compensating tax liability before being claimed against withholding tax liability.</p> <p>The credit is refundable up to \$250,000 if the taxpayer’s available credit is less than \$500,000 and the sum of the taxpayer’s gross receipts, compensating, and withholding tax due for the previous calendar year was less than 35% of the taxpayer’s available credit but more than \$10,000. Otherwise, the credit is carried forward for an unlimited time.</p>
Statutory Basis:	7-9A-1 <i>et seq.</i> NMSA 1978
Intended Purpose:	To provide a favorable tax climate for manufacturing businesses and to promote increased employment in New Mexico.
History:	Originally enacted in 1979 and amended in 1983, 1986, 1990, 1991, 2001, 2002, 2003, 2009, 2020 and 2025. The 2020 amendment: set a sunset date of July 1, 2030 for the valuation of equipment and employment to apply for the credit; includes a calculation for the investment credit if the sale of qualified equipment for which the credit is allowed is subject to GRT and if the qualified equipment is not subject to GRT or the compensating tax; changes the employment requirement amounts and extends these amounts until July 1, 2030; and provides that the investment credit will be claimed against a taxpayer’s state and local tax liabilities. The 2025 amendment ties the credit amount to the current state gross receipts tax rate rather than a fixed 5.125%, which was the state rate prior to the rate reduction enacted in 2022.
Evaluation:	EDD reports that, due to this incentive, the state has attracted manufacturing businesses from industries such as breweries and wineries.
Recommendations:	Require the credit to be claimed in consecutive months once the taxpayer starts claiming the credit. Establish a limit to how many consecutive years the credit may be carried forward. It is recommended that GRT tax expenditures be


structured as deductions for ease of administration and taxpayer compliance, as credits are more complicated to administer than deductions.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Investment Credit against GRT, CMP, or WH	Tax Year	2022	2023	2024
	WH Claims	42	25	3
	WH Expenditure (thousands)	\$4,035	\$3,403	\$119
	GRT and CMP Claims	65	29	14
	GRT and CMP Local Government Expenditure (thousands)	\$228	\$200	\$56
	GRT and CMP State General Fund Expenditure (thousands)	\$352	\$305	\$86
	Fiscal Year	2023	2024	2025
	WH Claims	50	61	36
	WH Expenditure (thousands)	\$8,040	\$3,067	\$2,548
	GRT and CMP Claims	74	69	29
	GRT and CMP Local Government Expenditure (thousands)	\$175	\$255	\$163
	GRT and CMP State General Fund Expenditure (thousands)	\$271	\$388	\$248


INVESTMENT MANAGEMENT OR ADVISORY SERVICES GRT DEDUCTION

- Category:** Economic Development
- Brief Description:** Receipts from fees received for performing management or investment advisory services for a mutual fund, hedge fund, or real estate investment trust are deductible from gross receipts.
- Statutory Basis:** 7-9-108 NMSA 1978
- Intended Purpose:** To incentivize fund managers to locate in New Mexico, thereby increasing income tax revenues and disposable income that will circulate through the State's economy.
- History:** Originally enacted in 2007.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  3 – Tax & Rev does not have any direct data to estimate this deduction. Tax & Rev reports with aggregated data were used. Gross receipts for taxpayers classified in certain financial activities are aggregated to establish a bound for this deduction. This estimate represents the general magnitude of the deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Investment Management or Advisory Services GRT Deduction	State General Fund Expenditure (thousands)	\$700	\$700	\$1,600
	Local Government Expenditure (thousands)	\$400	\$400	\$1,000

JET FUEL FORTY PERCENT GRT AND COMPENSATING TAX DEDUCTION

Category:	Economic Development
Brief Description:	<p>From July 1, 2003, through June 30, 2017, 55% of the receipts from the sale of fuel specially prepared and sold for use in turboprop or jet-type engines, as determined by Tax & Rev, were deductible from gross receipts.</p> <p>From July 1, 2003, through June 30, 2017, 55% of the value of the fuel specially prepared and sold for use in turboprop or jet-type engines as determined by Tax & Rev, was deductible in computing compensating tax.</p> <p>After June 30, 2017, the amount of the deductions is reduced to 40% of the receipts from the sale or value of the fuel.</p>
Statutory Basis:	7-9-83 and 7-9-84 NMSA 1978
Intended Purpose:	Presumably to incentivize routing of air traffic through New Mexico by reducing the effective cost of refueling in New Mexico.
History:	Originally enacted in 1993 and amended in 2003, 2006, and 2011, when the deduction was extended through 2017 and reduced from 55% to 40% of the receipts attributable to the sale of jet fuel. The 2025 amendment revised reporting requirements and removed certain obsolete language.
Evaluation:	None.
Recommendations:	Consider requiring this deduction be separately reported. Tax & Rev distributes funds to the State Aviation Fund from the taxable sales of jet fuel in the state. Separately-reporting the deduction would help ensure that distributions are based on taxable sales after the deduction has been taken.
Reliability Factor:	 2 – Tax & Rev asks taxpayers who claim this deduction to report it separately, but there is no statutory requirement to do so. The reliability factor for this deduction is 2, indicating that some taxpayers may be claiming this deduction in error. Tax & Rev will be further analyzing this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.
	No compensating tax was estimated for fiscal years 2023 and 2024. Starting in fiscal year 2025, taxpayers were required to report their GRT and compensating tax deductions separately.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Jet Fuel Forty Percent GRT Deduction	Taxpayers	17	17	20
	State General Fund GRT Expenditure (thousands)	\$1,531	\$1,347	\$1,101
	Local Government GRT Expenditure (thousands)	\$979	\$898	\$734
	Compensating Tax (thousands)	Unknown	Unknown	-

TABLE NOTE: “-“ Means data is redacted due to fewer than 3 taxpayers.

JOB MENTORSHIP CREDIT AGAINST PIT AND CIT

Category: Citizen Benefits

Brief Description: Businesses hiring qualified students in a school-sanctioned, career-preparation education program may claim a credit against PIT and CIT. Qualifying businesses must employ students attending an accredited New Mexico secondary school full-time.

Credits are equal to 50% of the gross wages paid, subject to limitations and may be carried forward for three years. A taxpayer may not claim a credit of more than \$12,000 in any taxable year.


Statutory Basis: 7-2-18.11 and 7-2A-17.1 NMSA 1978

Intended Purpose: To encourage New Mexico businesses to hire youth participating in a career preparation education program.

History: Originally enacted in 2003. Repealed in 2025 with an effective date of July 1, 2025.

Evaluation: None.

Recommendations: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact: This credit is repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

Job Mentorship Credit against PIT and CIT	Tax Year (Calendar)	2022	2023	2024
	Claims	0	0	0
	Expenditure (thousands)	\$0	\$0	\$0
	Fiscal Year	2023	2024	2025
	Claims	0	0	0
	Expenditure (thousands)	\$0	\$0	\$0

LABORATORY PARTNERSHIP WITH SMALL BUSINESS CREDIT AGAINST GRT

Category: Economic Development

Brief Description: A national laboratory that offers certain types of eligible assistance to individual small businesses in New Mexico, and incurs expenses for doing so, may claim a credit against the state portion of GRT of up to \$20,000 per business (\$40,000 per business in a rural area). The tax credits claimed by an individual national laboratory shall not exceed \$2,400,000 in a given calendar year.


Statutory Basis: 7-9E-1 *et seq.* NMSA 1978

Intended Purpose: To bring the technology and expertise of the national laboratories to small businesses in New Mexico and to promote economic development in the state, with an emphasis on rural areas.

History: Originally enacted in 2000, amended in 2007 and 2019.
The 2019 amendment increased the maximum amount that may be claimed for businesses in urban areas from \$10,000 to \$20,000 and increased from \$20,000 to \$40,000 for businesses located in rural areas.

Evaluation: According to the New Mexico Small Business Assistance (“NMSBA”) annual report, since inception through 2000, the program has assisted 3,135 small businesses with 9,710 jobs created and retained.

Recommendations: None.


Reliability Factor:  1 - This credit is separately reported. No estimation is required. The fiscal impact is against the state portion only of GRT, with no impact to local government distributions.

Fiscal Impact:


Laboratory Partnership with Small Business Credit against GRT	Tax Year	2022	2023	2024
	State General Fund Expenditure (thousands)	\$4,550	\$4,490	\$4,661
	Fiscal Year	2023	2024	2025
	State General Fund Expenditure (thousands)	\$4,550	\$2,300	\$6,851

NOTE: Tax & Rev is not required to redact this information even though it relates to fewer than three taxpayers because the data is published independently by both taxpayers.

LEGAL SERVICES FOR WILDFIRE COMPENSATION RECOVERY GRT CREDIT

Category:	Citizen Benefits
Brief Description:	<p>A taxpayer who provides legal services to a person eligible to receive compensation pursuant to the federal Hermit's Peak/Calf Canyon Fire Assistance Act may claim a tax credit against gross receipts taxes, provided that:</p> <ol style="list-style-type: none">(1) the legal services are directly related to recovering the compensation;(2) the taxpayer did not pass the amount of gross receipts tax on to the person eligible to receive the federal compensation; and(3) the legal services were sold to a person who confirms to the department the conditions above under (1) and (2). <p>The credit has an annual aggregate cap of \$5 million that may be claimed. The credit is not refundable but may be carried forward for thirty-six consecutive taxable periods.</p>
Statutory Basis:	7-9-121 NMSA 1978
Intended Purpose:	To aid claimants of compensation under the federal Hermit's Peak/Calf Canyon Fire Assistance Act, who are responsible for paying their attorney fees and expenses.
History:	Originally enacted in 2024.
Evaluation:	None.
Recommendation:	It is recommended that GRT tax expenditures be structured as deductions for ease of administration and taxpayer compliance, as credits are more complicated to administer than deductions. Taxpayer burden may be a reason this credit has not been more frequently claimed.
Reliability Factor:	 1 - This credit is separately reported. No estimation is required.
Fiscal Impact:	Data cannot be disclosed due to the number of taxpayers being fewer than three.


LIQUOR LICENSE HOLDERS DEDUCTION FROM GRT

Category:	Highly Specialized Industries
Brief Description:	<p>Taxpayers who are a liquor license holder and who held the license on June 30, 2021, are eligible for a deduction from GRT liability. For each dispenser’s license for which sales of alcoholic beverages for consumption off premises are less than 50% of total alcoholic beverage sales, up to \$50,000 of receipts from the sale of alcoholic beverages may be deducted from gross receipts. The deduction is available for taxable years 2022 through 2025.</p> <p>Select definitions:</p> <p>(1) “alcoholic beverage” means alcoholic beverage as defined in the Liquor Control Act;</p> <p>(2) “dispenser’s license” is defined as a license issued pursuant to the Liquor Control Act and allows the licensee to sell, offer for sale or have the intent to sell alcoholic beverages both for consumption on the licensed premises and for consumption, not for resale, off the licensed premises;</p> <p>(3) liquor license holder” is defined as a person that holds a retailer’s license or one of two dispenser’s licenses issued pursuant to the Liquor Control Act and the license was issued prior to July 1, 2021.</p>
Statutory Basis:	7-9-119 NMSA 1978
Intended Purpose:	Supporting business owners with long-held liquor licenses impacted by COVID-19, business closures and those impacted by changes to the liquor license structure.
History:	Originally enacted in 2021 and amended in 2025.
Evaluation:	None.
Recommendation:	This deduction may be repealed in the future once the taxpayer statute of limitations to amend returns and the timeline for audit adjustments have passed.
Reliability Factor:	 3 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 3 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under the correct deduction code. Review of the number of taxpayers in FY2025 shows a marked decline in taxpayers claiming this deduction reflecting an effort to improve taxpayer compliance in claiming this deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

Liquor License Holders Deduction from GRT	Fiscal Year	2023	2024	2025
	Claims	319	1,340	389
	State General Fund Expenditure (thousands)	\$279	\$3,676	\$210
	Local Government Expenditure (thousands)	\$181	\$2,432	\$138

LIQUOR LICENSE LESSOR DEDUCTION FROM PIT AND CIT

Category:	Highly Specialized Industries
Brief Description:	<p>Taxpayers who are a liquor license lessor and who held the license on June 30, 2021, are eligible for a deduction from PIT or CIT liability. The deduction amount is equal to the gross receipts from sales of alcoholic beverages made by each liquor license lessee, not to exceed \$50,000 per year for each of four taxable years ending with tax year 2025. In the case of a dispenser’s license, sales of alcoholic beverages for consumption off premises must be less than 50% of total alcoholic beverage sales.</p> <p>Select definitions:</p> <p>(1) “Liquor license lessor” is defined as a person that leases a liquor license to a third party;</p> <p>(2) “Liquor license lessee” is defined as a person that leases a liquor license from a liquor license lessor;</p> <p>(3) “dispenser’s license” is defined as a license issued pursuant to the Liquor Control Act and allows the licensee to sell, offer for sale or have the intent to sell alcoholic beverages both for consumption on the licensed premises and for consumption, not for resale, off the licensed premises.</p>
Statutory Basis:	7-2-40 and 7-2A-31 NMSA 1978
Intended Purpose:	Supporting business owners with long-held liquor licenses impacted by COVID-19, business closures and those impacted by changes to the liquor license structure.
History:	Originally enacted in 2021 and amended in 2025.
Evaluation:	None.
Recommendation:	This deduction may be repealed in the future once the taxpayer statute of limitations to amend returns and the timeline for audit adjustments have passed.
Reliability Factor:	 1 – This deduction is separately reported.

Fiscal Impact:


Liquor License Lessor Deduction from PIT and CIT	Tax Year (Calendar)	2022	2023	2024
	Claims	<3	0	0
	Expenditure (thousands)	\$-	\$0	\$0
	Fiscal Year	2023	2024	2025
	Claims	18	4	<3
	Expenditure (thousands)	\$22	\$3	\$-

TABLE NOTE: “-“ Means data is redacted due to fewer than 3 taxpayers.

LOAN-RELATED COSTS GRT DEDUCTION

Category:	Citizen Benefits
Brief Description:	Receipts from charges made in connection with the origination, making, or assumption of a loan or from charges made for handling loan payments are deductible from gross receipts.
Statutory Basis:	7-9-61.1 NMSA 1978
Intended Purpose:	Presumably to reduce the costs of borrowing, thereby increasing access to capital in New Mexico.
History:	Originally enacted in 1981.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	This deduction has no reporting requirement and Tax & Rev does not have any direct data to estimate it.
Fiscal Impact:	Unknown.


LOCOMOTIVE ENGINE FUEL GRT AND COMPENSATING TAX DEDUCTION

Category:	Highly Specialized Industry
Brief Description:	<p>Receipts from the sale of fuel to a common carrier to be loaded or used in a locomotive engine are deductible from gross receipts and compensating tax (CMP).</p> <p>The value of fuel to be loaded or used by a common carrier in a locomotive engine in a locomotive engine is deductible when computing the compensating tax due.</p>
Statutory Basis:	7-9-110.1, 7-9-110.2 and 7-9-110.3 NMSA 1978
Intended Purpose:	To encourage the construction, renovation, maintenance and operation of railroad locomotive refueling facilities and other railroad capital investments in New Mexico.
History:	Originally enacted in 2011. Section 7-9-110.3 NMSA 1978 was amended in 2013 and 2025. The 2025 amendment revised reporting requirements.
Evaluation:	<p>According to Union Pacific's (UP) annual report for FY2025, the company has directly provided 447 jobs, of which 278 are UP's employees and 169 are contractors. The company reports that the average salary of 278 employees is \$118,548. This represents an increase of 4.8% over the FY2024 average salary. Furthermore, 53 of the employees are subject to Withholding Tax.</p> <p>Burlington Northern Santa Fe (BNSF) reports 976 jobs for FY2025. These are new and previously existing jobs. BNSF reported operating revenue for 2024 at \$1.95 billion, an increase of \$471 million since 2013.</p>
Recommendations:	None.
Reliability Factor:	 2 - Gross purchases and deduction amounts are separately reported directly by taxpayers to EDD. Some estimation is required by Tax & Rev.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Locomotive Engine Fuel GRT and Compensating Tax Deduction	State General Fund Comp Expenditure (thousands)	\$13,558	\$12,010	\$11,409
	Local Government Comp Expenditure (thousands)	\$8,668	\$8,006	\$7,606
	State General Fund GRT Expenditure (thousands)	\$7,936	\$5,190	\$5,268
	Local Government GRT Expenditure (thousands)	\$5,074	\$3,460	\$3,512

LOTTERY RETAILER RECEIPTS GRT DEDUCTION

- Category:** Highly Specialized Industry
- Brief Description:** Receipts of a lottery game retailer from selling lottery tickets pursuant to the New Mexico Lottery Act may be deducted from gross receipts.
- Statutory Basis:** 7-9-87 NMSA 1978
- Intended Purpose:** To reduce the cost of lottery tickets, to increase lottery ticket sales, a portion of which goes to the Lottery Scholarship Program.
- History:** Originally enacted in 1995.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  2 – The cost of this deduction was estimated using ticket sales published in New Mexico Lottery annual reports multiplied by the statewide average GRT rate for each fiscal year. Since there is a year lag in the reports, the expenditure for the fiscal year 2025 was estimated using the average of the five previous fiscal years.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Lottery Retailer Receipts GRT Deduction	State General Fund Expenditure (thousands)	\$7,245	\$7,137	\$6,352
	Local Government Expenditure (thousands)	\$4,632	\$4,677	\$4,163


LOW-INCOME COMPREHENSIVE TAX REBATE AND SIXTY-FIVE OR OLDER ADDITIONAL REBATE

Category:	Citizen Benefits
Brief Description:	<p>The low-income comprehensive tax rebate (“LICTR”) represents a partial offset for state and local consumption taxes paid by low-income taxpayers. It may be claimed by taxpayers with a modified gross income of less than \$36,000. The rebate amount is dependent upon modified gross income as well as the number of personal exemptions claimed, defined as the sum of the taxpayer, spouse and dependents reported on the taxpayer’s federal return, and varies between \$15 and \$730³⁹.</p> <p>An individual who is 65 years or older or blind may claim additional exemptions for the low-income comprehensive tax rebate and so qualify for a higher rebate.</p>
Statutory Basis:	7-2-14 NMSA 1978
Intended Purpose:	To ease the consumption tax burden for low-income taxpayers and to reduce the financial burden on older, disabled taxpayers.
History:	LICTR was originally enacted in 1972 and amended in 1973, 1974, 1975, 1977, 1978, 1981, 1986, 1987, 1990, 1992, 1994, 1998 and 2021. The 2021 amendment increased the income eligibility threshold for the rebate from \$22,000 to \$36,000 and the maximum rebate amount from \$450 to \$730. For taxable year 2022 and each subsequent taxable year, the rebate amount shall be adjusted for inflation based on the consumer price index. The additional exemptions provided to 65 years or older, or blind taxpayers was originally enacted in 1987.
Evaluation:	<p>It is important to combine different strategies to support successful transition out of poverty and evaluate them together. LICTR provides a valuable offset to New Mexico’s regressive GRT, which is relatively high compared to gross receipts and sales taxes in other states. LICTR phases out as income rises, ensuring a smooth tapering off this support to low-income taxpayers. The 2021 amendment provides that LICTR will be adjusted for inflation in future years, ensuring the support offered by LICTR is not diluted over time. In the last three fiscal years, on average 331,000 taxpayers benefitted from LICTR and about 60,000 taxpayers benefitted from the additional exemptions for blind or 65 years or older taxpayers.</p> <p>Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New</p>

³⁹ Prior to June 18, 2021, the rebate ranged from \$10 to \$450.

Mexico economy to increase consumption and economic activity in New Mexico.

Recommendations: None.

Reliability Factor:  1 - These rebates are separately reported. No estimation is required.

Fiscal Impact:

Rebate, Low Income Comprehensive Tax (LICTR)	Tax Year (Calendar)	2022	2023	2024
	Claims	342,161	315,515	291,767
	Expenditure (thousands)	\$47,410	\$45,937	\$43,446
	Fiscal Year	2023	2024	2025
	Claims	350,451	328,801	314,848
	Expenditure (thousands)	\$48,493	\$47,785	\$47,057


65 and older or blind additional LICTR	Tax Year (Calendar)	2022	2023	2024
	Claims	62,087	57,148	52,617
	Expenditure (thousands)	\$11,947	\$11,484	\$10,822
	Fiscal Year	2023	2024	2025
	Claims	64,455	59,089	57,007
	Expenditure (thousands)	\$12,368	\$11,866	\$11,729

LOW-INCOME PROPERTY TAX REBATE AGAINST PIT

Category:	Citizen Benefits
Brief Description:	<p>The low-income property tax rebate is a partial offset for property taxes paid by low-income residents. It may be claimed by individuals with:</p> <ol style="list-style-type: none">(1) a principal place of residence in a county that has enacted an ordinance authorizing the rebate, and(2) modified gross income of less than \$24,000. <p>The rebate is calculated as a percentage of the taxpayer's property tax liability and based on the taxpayer's modified gross income. The rebate cannot exceed \$350, or \$175 if married filing separately.</p> <p>The state is reimbursed annually by the authorizing county for any low-income property tax rebates granted under this section.</p>
Statutory Basis:	7-2-14.3 NMSA 1978
Intended Purpose:	To offset property taxes for those whose income is insufficient to cover their property taxes to prevent the individuals from being forced out of their homes.
History:	The low-income property tax rebate was originally enacted in 1994 and amended in 1997 and 2003. Santa Fe County passed an ordinance in 2009 to instate the rebate starting in tax year 2009 and subsequent tax years until repealed. Los Alamos County passed ordinances in 2021 and in 2025 to instate the rebate for tax years 2021 through 2028. Doña Ana County passed an ordinances 2023 and 2025 instating the rebate for tax years 2023 through 2026. Bernalillo County passed an ordinance in 2025 instating the rebate starting in tax year 2025 and subsequent tax years until repealed.
Evaluation:	<p>The low-income property tax rebate has only been adopted by four counties at this time – Santa Fe, Los Alamos, Doña Ana, and Bernalillo. Because counties bear the cost of this tax expenditure, the cost of the rebate may be prohibitive for some counties. Counties with high rates of poverty coupled with high rates of property value growth, which may make retaining property ownership more difficult, are encouraged to consider adopting the program.</p> <p>The impact of new residents from Doña Ana claiming this rebate began in tax year 2023 and fiscal year 2024, resulting in a 76% increase in expenditures of this rebate from 2023 to 2025. The impact of new residents in Bernalillo County claiming this rebate will appear beginning in tax year 2025.</p> <p>Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New</p>

Mexico economy to increase consumption and economic activity in New Mexico.

Recommendations: None.

Reliability Factor:  1 - The rebate is separately reported. No estimation is required.


Fiscal Impact:

Rebate, Low Income Property Tax (local government - authorizing counties)	Tax Year (Calendar)	2022	2023	2024
	Claims	1,671	2,872	2,985
	Expenditure (thousands)	\$530	\$859	\$871
	Fiscal Year	2023	2024	2025
	Claims	1,702	3,238	3,251
	Expenditure (thousands)	\$538	\$955	\$950

LOW- AND MIDDLE-INCOME TAXPAYERS EXEMPTION FROM PIT

Category:	Citizen Benefits
Brief Description:	<p>An individual may claim an exemption equal to the number of personal exemptions, defined as the sum of the taxpayer, spouse and dependents reported on the taxpayer's federal return, multiplied by a maximum of \$2,500. The amount of the exemption is income- and filing status- dependent and is deducted from the individual's net income.</p> <ul style="list-style-type: none">(1) For married filing separate returns,<ul style="list-style-type: none">a. if adjusted gross income is not over \$15,000, 2,500 for each federal exemption;b. if adjusted gross income is over \$15,000 but not over \$27,500, \$2,500 less 20% of the amount obtained by subtracting \$15,000 from adjusted gross income.(2) For single returns,<ul style="list-style-type: none">a. if adjusted gross income is not over \$20,000, \$2,500 for each federal exemption;b. if adjusted gross income is over \$20,000 but not over \$36,667, \$2,500 less 15% of the amount obtained by subtracting \$20,000 from adjusted gross income.(3) For married filing joint, surviving spouses or head of household returns,<ul style="list-style-type: none">a. if adjusted gross income is not over \$30,000, \$2,500 for each federal exemption;b. if adjusted gross income is over \$30,000 but not over \$55,000, \$2,500 less 10% of the amount obtained by subtracting \$30,000 from adjusted gross income.
Statutory Basis:	7-2-5.8 NMSA 1978
Intended Purpose:	The exemption reduces the tax liability of households with less than a specified threshold of adjusted gross income. This results in lower income households retaining more of their income.
History:	Originally enacted in 2005 and amended in 2007. The 2007 amendment increased the adjusted gross income threshold amounts for taxpayers eligible for the exemption.
Evaluation:	This exemption excludes more than \$1.7 billion of income from the PIT base each year. On average, about 530,000 New Mexico taxpayers receive this exemption each fiscal year. The exemption amount phases out as adjusted gross income rises. Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New Mexico economy to increase consumption and economic activity in New Mexico.

Recommendations: Although the number of eligible households claiming the exemption is significant, the income thresholds are currently defined by filing status and do not adjust for inflation. Consider updating statutory thresholds to account for inflation.

Reliability Factor:  2 – This exemption is separately reported. Some estimation is required.

Fiscal Impact:

Exemption, Low-Middle Income	Tax Year (Calendar)	2022	2023	2024
	Claims	540,310	503,847	464,535
	Expenditure (thousands)	\$15,884	\$13,909	\$12,151
	Fiscal Year	2023	2024	2025
	Claims	556,327	528,158	506,507
	Expenditure (thousands)	\$16,841	\$14,753	\$13,038

MEDICAL AND HEALTH CARE SERVICES GRT DEDUCTION

Category:	Health Care
Brief Description:	Receipts from payments by the U.S. government or any agency thereof for Medicare services (Medicare) received by certain medical practitioners and medical-related facilities, receipts of medical doctors and osteopathic physicians from payments by a third-party administrator of the federal TRICARE program (Tricare), receipts of a medical doctor or osteopathic physician from payments by or on behalf of the Indian Health Service (Indian) of the U.S. Department of Health and Human Services for the provision of medical and other health services to covered beneficiaries, receipts of a hospice or nursing home (Hospice) from payments by the United States government, or any agency thereof, or from a Medicare administrative contractor for medical and other health and palliative services provided by the hospice or nursing home to Medicare beneficiaries, receipts of a clinical laboratory (Clinical) from payments by the United States government, or any agency thereof, or from a Medicare administrative contractor for medical services provided by the clinical laboratory to Medicare beneficiaries, receipts of a home health agency (Home) from payments by the United States government, or any agency thereof, or from a Medicare administrative contractor for medical, other health and palliative services provided by the home health agency to Medicare beneficiaries, and receipts of a dialysis facility (Dialysis) from payments by the United States government, or any agency thereof, or from a Medicare administrative contractor for medical and other health services provided by the dialysis facility to Medicare beneficiaries are deductible from gross receipts.
Statutory Basis:	7-9-77.1 NMSA 1978
Intended Purpose:	To recruit and retain healthcare practitioners in the state. According to DOH and the Indian Affairs Department, the deduction makes it more profitable for medical providers to serve Native American populations in New Mexico as these communities face difficulties in recruiting health care practitioners due to below-average salaries.
History:	<p>Originally enacted in 1998, amended in 2000, 2003, 2005, 2007, 2014, 2016, 2021, 2022 and 2025. The 2025 amendment revised reporting requirements.</p> <p>The 2021 amendment clarifies that physician practice groups are eligible to claim the GRT deduction, aligning the statute with regulations. An additional amendment updates qualifications of osteopathic physicians.</p> <p>The 2022 amendment made several changes, including adding Medicare administrative contractors' gross receipts as eligible for the deduction and clarifying that the gross receipts associated with hospices and nursing homes are eligible if associated with the approved service providers.</p>


Evaluation:

Because medical services of this type are typically reimbursed based on pre-established rate schedules, health care providers would likely not be able to recoup the GRT, even if their services were subject to GRT.

Likewise, the out-of-pocket portion of the payment is also predetermined, leaving the provider unable to pass the burden of the tax on to the consumer.

The expenditure is determined to be effective due to the extensive utilization of the deduction.

Recommendations: None.

Reliability Factor:  2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. The figures for FY22 and FY23 have been adjusted to incorporate deduction categories not included in previous reports.

Fiscal Impact:

	Fiscal Year		2023	2024	2025
		Taxpayers		1,302	1,491
Medical and Health Care Services GRT Deduction	State General Fund Expenditure (thousands)	Medicare	\$23,290	\$38,012	\$42,813
		Tricare	\$1,589	\$4,319	\$2,786
		Indian	\$628	\$976	\$958
		Clinical	\$1,181	\$770	\$748
		Home	\$2,052	\$3,095	\$2,705
		Dialysis	\$3,932	\$5,273	\$3,664
		Hospice	\$780	\$3,107	\$3,232
		Total	\$32,672	\$55,551	\$56,905
	Local Government Expenditure (thousands)	Medicare	\$14,890	\$25,341	\$28,542
		Tricare	\$1,016	\$2,880	\$1,857
		Indian	\$402	\$650	\$639
		Clinical	\$755	\$513	\$498
		Home	\$1,312	\$2,063	\$1,803
		Dialysis	\$2,514	\$3,515	\$2,442
		Hospice	--	\$2,071	\$2,154
Total		\$20,889	\$37,034	\$37,937	

MEDICAL CARE SAVINGS ACCOUNT EXEMPTION FROM PIT

Category: Citizen Benefits

Brief Description: The interest earned on medical care savings accounts and money reimbursed to an employee for eligible medical expenses from those accounts or money advanced to the employee by the employer for eligible medical expenses are exempt from PIT.


Statutory Basis: 7-2-5.6 NMSA 1978

Intended Purpose: To encourage investment in medical care savings accounts.

History: Originally enacted in 1995.

Evaluation: This exemption incentivizes individuals to save for future medical expenses, which increases the likelihood that New Mexicans will be able to afford medical care and may lead to a healthier population. In the last three fiscal years the number of claims has averaged 1,230, with an annual average expenditure of around \$119 thousand.

Recommendations: None.

Reliability Factor:  2 – This exemption is separately reported. Some estimation is required.

Fiscal Impact:

Medical Care Savings Account Exemption from PIT	Tax Year (Calendar)	2022	2023	2024
	Claims	1,212	1,208	1,141
	Expenditure (thousands)	\$114	\$124	\$104
	Fiscal Year	2023	2024	2025
	Claims	1,216	1,249	1,232
	Expenditure (thousands)	\$98	\$141	\$118


MICROBREWER BEER, SMALL WINERIES, AND CRAFT DISTILLERS RATE DIFFERENTIAL FROM LIQUOR EXCISE TAX

Category:	Highly Specialized Industry
Brief Description:	<p>The first 60,000 gallons of beer manufactured or produced by a microbrewer and sold in New Mexico is taxed at a preferential rate: a rate of \$0.08 per gallon is imposed on the first 30,000 gallons sold and \$0.28 per gallon on all gallons sold more than 30,000 gallons but fewer than 60,000 gallons. For all gallons sold above 60,000 gallons, the tax rate is \$0.41 per gallon, equal to the non-microbrew beer tax rate.</p> <p>Wine manufactured or produced by a small winegrower and sold in New Mexico is taxed at a rate of \$0.10 per liter on the first 80,000 liters sold, \$0.20 per liter on all liters sold over 80,000 liters but not over 950,000 liters, and \$0.30 per liter on each liter sold over 950,000 liters but not over 1.5 million liters. For all liters sold above 1.5 million liters, the tax rate is \$0.45 per liter, equal to the regular wine tax rate.</p> <p>Cider manufactured or produced by a small winegrower and sold in New Mexico is taxed at a rate of \$0.08 per gallon on the first 30,000 barrels sold, \$0.28 per gallon on all gallons sold more than 30,000 gallons but fewer than 60,000 gallons. For all gallons sold above 60,000 gallons, the tax rate is \$0.41 per gallon, equal to the regular cider tax rate.</p> <p>Spirituous liquors manufactured or produced by a craft distiller, on products up to 10% alcohol by volume, the tax rate is \$0.08 per liter on the first 250,000 liters sold, and \$0.28 per liter for the next 250,000 liters sold. On products over 10% alcohol by volume, the tax rate is \$0.32 per liter for the first 175,000 liters sold, and \$0.65 per liter for the next 200,000 liters sold. Liters sold above the thresholds are taxed at a rate of \$1.60 per liter, equal to the regular spirituous liquor tax rate.</p>
Statutory Basis:	7-17-5A(5), 7-17-5A(6), 7-17-5A(8), 7-17-5A(9) NMSA 1978
Intended Purpose:	To stimulate the microbrewery, small winery, and craft distillery industries in New Mexico by reducing their tax expense.
History:	<p>Originally enacted in 1993 and amended in 1994, 1995, 1996, 1997, 2000, 2000 (2nd Special Session), 2008, 2013, and 2019.</p> <p>The 2013 amendment changed the tax rates for beer manufactured or produced by a microbrewer and the tax rates on wine produced by a small winegrower.</p> <p>The 2019 amendment introduced new tax rates on cider manufactured or produced by a small winegrower and spirituous liquors manufactured or produced by a craft distiller, with rates dependent on the number of barrels</p>

or liters sold. The amendment also revised the tax rates for beer manufactured or produced by a microbrewer.

Evaluation: Preliminary indicators, with respect to microbreweries and small wineries, suggest that this preferential tax rate structure has been effective. According to information presented to the Legislature by the New Mexico Microbrewers Guild, the number of microbreweries in New Mexico has increased from 23 in 2013 to 96 locations in 2018. The New Mexico True website currently shows 40 wineries, vineyards and tasting rooms in the state.


Recommendations: None.

Reliability Factor:  1 - Qualifying beer, wine, cider and spiritous liquor production is separately reported. No estimation is required.

Fiscal Impact: Note: Reporting in previous tax expenditure reports included only the fiscal impact from microbrewer beer and wine from small wineries.


	Fiscal Year	2023	2024	2025
Microbrewer Beer, Small Wineries, and Craft Distiller Rate Differential from Liquor Excise Tax	Microbrewery - Beer Expenditure (thousands)	\$1,221	\$1,141	\$1,033
	Small Winery - Wine Expenditure (thousands)	\$616	\$580	\$583
	Small Winery - Cider Expenditure (thousands)	\$82	\$76	\$44
	Craft Distiller - Spirituous Liquors Expenditure (thousands)	\$628	\$760	\$637
	Total Expenditure (thousands)	\$2,548	\$2,557	\$2,297

MILITARY TRANSFORMATIONAL ACQUISITION PROGRAMS GRT DEDUCTION

- Category:** Highly Specialized Industry
- Brief Description:** Receipts from military transformational acquisition programs performing research and development, test, and evaluation services at New Mexico major range and test facility bases are deductible from gross receipts.
- Statutory Basis:** 7-9-94 NMSA 1978
- Intended Purpose:** To incentivize the location of military transformational acquisition programs at U.S. Air Force bases in New Mexico.
- History:** Originally enacted in 2005 with an expiration date of June 30, 2008. Amended in 2006 to extend the expiration date to June 30, 2016. Amended in 2015 to extend the expiration date to June 30, 2025. The 2025 amendment revised reporting requirements.
- Evaluation:** The expenditure is determined to be effective due to the utilization of the deduction in recent years.
- Recommendations:** None.
- Reliability Factor:**  2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will be further analyzing this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.
- Fiscal Impact:** This is the last year this expenditure is reported.

Military Transformational Acquisition Program GRT Deduction	Fiscal Year	2023	2024	2025
	Taxpayers	15	65	61
	State General Fund Expenditure (thousands)	\$590	\$3,049	\$3,156
	Local Government Expenditure (thousands)	\$378	\$1,950	\$2,018

MOLYBDENUM RATE DIFFERENTIAL FROM RESOURCES TAX AND PROCESSORS TAX


Category:	Highly Specialized Industry
Brief Description:	<p>A severer and processor of molybdenum in New Mexico is required to pay a Resource Tax of 0.125% and a Processors Tax of 0.125% on the taxable value of the molybdenum.</p> <p>This is in contrast to the base Resources Tax and Processors Tax rates of 0.75%.</p>
Statutory Basis:	7-25-4A(3) and 7-25-5A(4) NMSA 1978
Intended Purpose:	Presumably to incentivize the mining and processing of molybdenum.
History:	7-25-4A(3) NMSA 1978 was originally enacted in 1966 and amended in 1970, 1973, and 1999. 7-25-5A(4) NMSA 1978 was originally enacted in 1985 and amended in 1999.
Evaluation:	There was no reported molybdenum production in the state during the time period analyzed. As such, there were no expenditures for the Resources Tax. Processing of molybdenum has been limited to fewer than three taxpayers.
Recommendation:	None.
Reliability Factor:	 1 –Gross value, taxable value, and taxes due are directly reported by taxpayers by type of mineral. The difference is estimated from the taxes paid and the statutory tax base of 0.75%. No further estimation is required.

Fiscal Impact:


No taxpayers have reported production of molybdenum. The mine in Questa, New Mexico ceased operations in 2014, as such, there is no fiscal impact applicable to the Resources Tax. Additionally, while fewer than three taxpayers have reported processing of molybdenum, the data may be reported as is allowed pursuant under Section 7-1-8 NMSA 1978, more specifically, Section 7-1-8.3(B) NMSA 1978.

	Fiscal Year	2023	2024	2025
Molybdenum Rate Differential from Resources and Processors Tax	Resources Tax Taxpayers	0	0	0
	Resources Tax Expenditure (thousands)	\$0	\$0	\$0
	Processors Tax Taxpayers	1	1	1
	Processors Tax Expenditure (thousands)	\$310	\$262	\$460


NATURAL GAS EXEMPTION FROM OIL AND GAS SEVERANCE TAX

Category:	Highly Specialized Industry
Brief Description:	Exempts natural gas from a production restoration project for the first 10 years after the restoration of production when the annual average price of WTI crude oil was less than \$24 per barrel. The statute specifies a non-standard calendar of June through May when calculating the average annual WTI price. The qualification criteria for production restoration projects is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6(A) NMSA 1978.
Statutory Basis:	7-29-4(B)(1) , and 7-29B-6(A) NMSA 1978
Intended Purpose:	To incentivize the development of natural gas from a production restoration project when oil prices are low.
History:	7-29-4(B)(1) NMSA 1978 was originally enacted in 1980 and amended in 1987, 1989, 1992, 1995, 1999, and 2005. 7-29B-6(A) NMSA 1978 was originally enacted in 1995 and amended in 1999.
Evaluation:	No wells have qualified for this incentive in many years due to the price of WTI crude oil exceeding \$24 per barrel (exemption threshold). While it is unknown whether the price of WTI crude oil will drop below \$24 per barrel, the production and market for natural gas has changed significantly during the history of this exemption. Enhanced extraction techniques have increased production and improved cost efficiencies. Natural gas exceeded coal since 2016 as the majority fuel for electricity generation in the United States. Other non-tax factors such as infrastructure to transport natural gas to markets may be stronger determinants of production.
Recommendations:	A review of this and other extraction tax expenditures should be initiated to reevaluate intended purpose and relevance in current market climate.
Reliability Factor:	 1 -There have been no expenditures resulting from this exemption.
Fiscal Impact:	None.

NATURAL GAS RATE DIFFERENTIAL FROM OIL AND GAS EMERGENCY SCHOOL TAX

Category:	Highly Specialized Industry
Brief Description:	<p>The emergency school tax rate on natural gas is 4%, unless the product is taxed pursuant to a different rate as provided in statute.</p> <p>When the average annual taxable value of natural gas is equal to or less than \$1.15 per thousand cubic feet (MCF) in the previous calendar year, the tax rate on natural gas from a stripper well property is 2%.</p> <p>When the average annual taxable value of natural gas is greater than \$1.15 per MCF but not more than \$1.35 per MCF in the previous calendar year, the tax rate on natural gas from a stripper well property is 3%.</p>
Statutory Basis:	7-31-4(A)(6) and 7-31-4(A)(7) NMSA 1978
Intended Purpose:	To incentivize high-cost, low-yield production when natural gas prices are low.
History:	The section was originally enacted in 1959 and amended in 1999 to enact subsections (A)(6) and (A)(7). An amendment in 2025 to subsection A, defined the imposition of the tax on all products severed to standardize language across various taxes. Previous language imposed the tax on all products severed.
Evaluation:	Data reported in GenTax was used to determine the average taxable value per MCF of natural gas. No wells qualified for this rate differential due to value exceeding \$1.35 per MCF. While it is unknown whether the price of natural gas will drop below \$1.35 per MCF, the production and market for natural gas has changed significantly during the history of this rate differential. Enhanced extraction techniques have increased production and improved cost efficiencies. Natural gas exceeded coal since 2016 as the majority fuel for electricity generation in the United States. Other non-tax factors such as infrastructure to transport natural gas to markets may be stronger determinants of production.
Recommendations:	A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.
Reliability Factor:	 1 - There have been no expenditures resulting from this rate differential.
Fiscal Impact:	None.

NATURAL GAS RATE DIFFERENTIAL FROM OIL AND GAS SEVERANCE TAX

Category:	Highly Specialized Industry
Brief Description:	<p>The oil and gas severance tax rate on natural gas is 3.75% unless the product is taxed pursuant to a different rate as provided in statute.</p> <p>When the average annual price of WTI crude oil is less than \$24 per barrel in the previous year, the tax rate on natural gas from a well workover project is 2.45%. The statute specifies a non-standard calendar of June through May when calculating this average annual WTI price.</p> <p>When the average annual taxable value of natural gas is equal to or less than \$1.15 per thousand cubic feet (MCF) in the previous calendar year, the tax rate on natural gas from a stripper well property is 1.875%.</p> <p>When the average annual taxable value of natural gas is greater than \$1.15 per MCF but not more than \$1.35 per MCF in the previous calendar year, the tax rate on natural gas from a stripper well property is 2.8175%.</p>
Statutory Basis:	7-29-4(A)(4), 7-29-4(A)(6), and 7-29-4(A)(7) NMSA 1978
Intended Purpose:	To incentivize high-cost, low-yield production when prices are low.
History:	The section was originally enacted in 1980 and through amendments in 1995 and 1999, subsections (A)(4), (A)(6) and (A)(7) were enacted.
Evaluation:	No wells have qualified for this incentive for the time periods covered by this report due to the price of WTI crude oil exceeding \$24 per barrel. Also, the taxable value of natural gas (as reported in GenTax) has exceeded \$1.35 per MCF. While it is unknown whether the price of natural gas will drop below \$1.35 per MCF or if WTI crude oil prices will drop below \$24 per barrel, the production and market for natural gas has changed significantly during the history of this rate differential. Enhanced extraction techniques have increased production and improved cost efficiencies. Since 2016, natural gas exceeded coal as the major fuel source for electricity generation in the United States. Other non-tax factors such as infrastructure to transport natural gas to markets may be stronger determinants of production.
Recommendations:	A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.
Reliability Factor:	 1 - There were no expenditures resulting from this rate differential.
Fiscal Impact:	None.

NEW MEXICO NATIONAL GUARD MEMBER PREMIUMS PAID FOR GROUP LIFE INSURANCE EXEMPTION FROM PIT

Category: Citizen Benefits

Brief Description: Payments for a service members' group life insurance premium from the National Guard Service Member's Life Insurance Reimbursement Fund are exempt from PIT.


Statutory Basis: 7-2-5.10 NMSA 1978

Intended Purpose: The enactment of 2005 legislation creating a reimbursement for life insurance premiums for National Guard members resulted in the unintended consequence of treating those reimbursements as taxable income. This exemption was enacted in the 2006 legislative session to exclude these reimbursements from PIT.

History: Originally enacted in 2006.

Evaluation: None.


Recommendations: None.

Reliability Factor:  2 - This exemption is separately reported. Some estimation is required.

Fiscal Impact:

NM National Guard Member Life Insurance Premiums Exemption from PIT	Tax Year (Calendar)	2022	2023	2024
	Claims	431	402	381
	Expenditure (thousands)	\$13	\$16	\$20
	Fiscal Year	2023	2024	2025
	Claims	441	410	406
	Expenditure (thousands)	\$16	\$15	\$22


NEWSPAPER SALES GRT DEDUCTION

- Category:** Highly Specialized Industry
- Brief Description:** Receipts from selling newspapers, except from selling advertising space, are deductible from gross receipts.
- Statutory Basis:** 7-9-64 NMSA 1978
- Intended Purpose:** To reduce operating costs of newspapers and decrease the consumer cost of purchasing newspapers.
- History:** Originally enacted in 1969.
- Evaluation:** With the proliferation of digital mobile devices, this deduction may not be enough to counter the market shift from print to electronic media. It is expected that newspapers will seek profitability from other sources, including consolidation of printing operations, new advertising revenue streams, and electronic subscriptions.
- Recommendations:** None.
- Reliability Factor:**  3 - Data from the RP-80, NAICS codes Newspaper Publishers, were used to estimate the expenditure. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Newspaper Sales GRT Deduction	State General Fund Expenditure (thousands)	\$189	\$57	\$74
	Local Government Expenditure (thousands)	\$123	\$38	\$48


NONATHLETIC SPECIAL EVENT AT NEW MEXICO STATE UNIVERSITY GRT OR GGRT DEDUCTION

- Category:** Citizen Benefits
- Brief Description:** Receipts from admissions to nonathletic special events held at the Pan American Center at New Mexico State University (“NMSU”) are deductible from gross receipts or governmental gross receipts.
- Statutory Basis:** 7-9-104 NMSA 1978
- Intended Purpose:** To bring nonathletic events such as concerts to NMSU rather than having the events occur in El Paso, Texas.
- History:** Originally enacted in 2007 with an expiration of June 30, 2012. Amended in 2012 to extend the expiration to June 30, 2017. Amended in 2017 to extend the expiration to June 30, 2022. Amended in 2022 to extend the expiration to July 1, 2027.
- Evaluation:** According to NMSU, the vast majority of nonathletic events held at the Pan American Center would otherwise be held in various venues located in El Paso if it was not for the incentive generated by this deduction.
- Recommendations:** None.
- Reliability Factor:**  3 – Gross ticket sale figures provided by Oakview Group, which manages the Pan Am Center, were used to estimate the cost of this deduction. The deduction amount is multiplied by the Las Cruces GRT rate for each year to estimate the cost. The estimated impact amount includes both state and local revenue. Tax & Rev estimates that the fiscal impact of this deduction concerns event promoters, who would otherwise report GRT liabilities derived from ticket sales.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
	Claims	15	11	24
Nonathletic Special Event at NMSU GRT Deduction	State General Fund Expenditure (thousands)	\$78	\$57	\$80
	Local Government Expenditure (thousands)	\$50	\$38	\$53

NONPROFIT ORGANIZATIONS EXEMPTION FROM GRT


Category:	Citizen Benefits
Brief Description:	<p>Purchases and receipts of an organization that was granted a tax exemption under Section 501(c)(3) or Section 501(c)(6) of the U.S. Internal Revenue Code are exempt from GRT. Section 501(c)(3) organizations comprise the most commonly understood type of nonprofit entities: health care services, charities, churches, universities, scientific organizations, animal shelters, and others. 501(c)(6) organizations consist of business leagues and associations, chambers of commerce, boards of trade, and other similar organizations. With respect to both types of entities, a benefit or profit cannot pass to any member, owner, director, or officer.</p> <p>The exemption excludes receipts derived from an unrelated trade or business as defined in Section 513 of the Internal Revenue Code, receipts of a prime contractor for either a national laboratory or a research facility in New Mexico owned by the state and the receipts of a hospital licensed by the New Mexico DOH; the receipts of non-profit DOH-licensed hospitals are taxable with a 60% deduction.</p>
Statutory Basis:	7-9-29 NMSA 1978
Intended Purpose:	To eliminate the tax burden on organizations that contribute to the overall social and economic welfare of their communities.
History:	The GRT exemption was originally enacted in 1970 and amended in 1983, 1988, 1990 and 2019. The 2019 amendment provided exceptions to the exemptions for prime contractors operating federal laboratories or state-owned research facilities, and for hospitals licensed by the New Mexico DOH.
Evaluation:	Non-profit organizations contribute to the overall social and economic welfare in New Mexico, and this exemption increases their ability to deliver services to a broader population at a lower cost. However, by exempting this large sector of the economy from the GRT base, this exemption leads to higher tax rates being necessary on other economic activity that is subject to the GRT to achieve the same revenue collection.
Recommendations:	None.
Reliability Factor:	 4 - There are no direct data to estimate this exemption. National Center for Charitable Statistics (NCCS) data provided by the Urban Institute on income for these organizations is used in the estimate. Tax & Rev assumed that 50% of the receipts would otherwise be taxable gross receipts, based on aggregate data at the national level published by the IRS. The total estimated deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. The analysis is based on the most recent income reported by these organizations to the IRS. However, this data has a high degree of

volatility from one year to another and is contributing to the higher estimate for FY2024.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Nonprofit Organizations Exemption from GRT	State General Fund Expenditure (thousands)	\$17,750	\$41,760	\$9,550
	Local Government Expenditure (thousands)	\$11,350	\$27,840	\$6,370

NONPROFIT ORGANIZATIONS FUNDRAISERS GRT DEDUCTION

Category:	Citizen Benefits
Brief Description:	Organizations exempt from federal income tax under Section 501(c) of the Internal Revenue Code (IRC) may deduct the receipts from two fund-raising events each calendar year. This deduction does not apply to 501(c)(3) organizations, as their receipts are exempt under Section 7-9-29 NMSA 1978. It does apply to other 501(c) organizations listed in the IRC, such as civic leagues (501(c)(4)), labor, agricultural and horticultural organizations (501(c)(5)), social, and recreational clubs (501(c)(7)), and fraternal associations (501(c)(8)). It should be noted that contributions these organizations receive are not gross receipts. This deduction applies to fundraising events, in which these organizations provide a good or service to generate funding for their missions.
Statutory Basis:	7-9-85 NMSA 1978
Intended Purpose:	To allow organizations to conduct fundraising events to support their missions without incurring GRT obligations.
History:	Originally enacted in 1994.
Evaluation:	None.
Recommendations:	Clarify the law by excluding 501(c)(6) organizations that carry on chamber of commerce, visitor bureau, and convention bureau functions of the organization as their receipts are exempt under Section 7-9-29 NMSA 1978. This deduction specifically excludes 501(c)(3) organizations because their receipts are already exempt under Section 7-9-29 NMSA 1978.
Reliability Factor:	 4 - The National Center for Charitable Statistics (NCCS) has assembled IRS Form 990 data to report aggregate statistics by state for nonprofits organizations. At the time of writing, NCCS had not released data for the fiscal years 2023 and 2025, so the estimate is based on data from the IRS. Calculating the national estimates of revenue from fundraising events as a percentage of total revenues, these estimates were applied to state level total revenue for 501(c) organizations listed in statute. The total estimated deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Nonprofit Organizations Fundraisers GRT Deduction	State General Fund Expenditure (thousands)	\$40	\$190	\$120
	Local Government Expenditure (thousands)	\$20	\$130	\$80

NURSES CREDIT AGAINST PIT 2022 TAX YEAR FILING

Category: Citizen Benefits

Brief Description: Taxpayers who were not dependents and were employed full time as a nurse at a hospital in New Mexico during tax year 2022 were eligible for a \$1,000 income tax credit. The hospitals must be licensed by the DOH. If the amount of credit due to a taxpayer exceeds the taxpayer’s PIT liability, the excess is refunded.


Statutory Basis: 7-2-18.33 NMSA 1978

Intended Purpose: To provide temporary economic relief to healthcare workers who were on the front line of combatting the COVID-19 pandemic.

History: Originally enacted in 2022.

Evaluation: Many hospitals contract for nurses through third-parties. This was especially prevalent during the COVID-19 pandemic as nurses, already in short supply, were in demand to support hospitals during surging patient loads. Contract nurses were not eligible for the credit as they were not employed full time directly by the hospital, but rather by a third-party. It is unknown if this was the intent of the legislation. The fiscal impact of the credit has been smaller than estimated at the time it was enacted.


Recommendation: None.

Reliability Factor:  1 – This credit is separately reported. No estimation is required.

Fiscal Impact:

Nurses Credit, Tax Year 2022	Tax Year (Calendar)	2022	2023	2024
	Claims	7,247	NA	NA
	Expenditure (thousands)	\$7,377		
	Fiscal Year	2023	2024	2025
	Claims	6,748	465	34
	Expenditure (thousands)	\$6,872	\$471	\$34


OFFICIATING AT NEW MEXICO ACTIVITIES ASSOCIATION EVENTS EXEMPTION FROM GRT

- Category:** Citizen Benefits
- Brief Description:** Receipts from refereeing, umpiring, scoring, or other officiating at school events sanctioned by the New Mexico Activities Association are exempt from GRT.
- Statutory Basis:** 7-9-41.4 NMSA 1978
- Intended Purpose:** To reduce the cost of public education institution events that provide athletic opportunities for their students.
- History:** Originally enacted in 2009.
- Evaluation:** This exemption reduces the reporting and financial burden on taxpayers as officials would otherwise be required to register and file GRT for a relatively small amount of receipts.
- Recommendations:** None.
- Reliability Factor:**  4 - Officials' fees published annually by the New Mexico Activities Association are used to estimate the impact of this exemption. Given the number of high school teams and games or matches in an academic year, an estimate of receipts was aggregated and multiplied by the statewide average GRT rate.


Fiscal Impact:

	Fiscal Year	2023	2024	2025
Officiating at New Mexico Activities Association Events Exemption from GRT	State General Fund Expenditure (thousands)	\$82	\$87	\$96
	Local Government Expenditure (thousands)	\$55	\$58	\$64

OIL AND OTHER LIQUID HYDROCARBONS EXEMPTION FROM OIL AND GAS SEVERANCE TAX

Category:	Highly Specialized Industry
Brief Description:	Exempts oil and other liquid hydrocarbons that come from a production restoration project for the first 10 years after the restoration of production when the annual average price of WTI crude oil was less than \$24 per barrel. The statute specifies a non-standard calendar of June through May when calculating the average annual WTI price. The qualification criteria for production restoration projects is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6 NMSA 1978.
Statutory Basis:	7-29-4(B)(2) and 7-29B-6(A) NMSA 1978
Intended Purpose:	To incentivize the development of oil and other liquid hydrocarbon from a production restoration project when prices are low.
History:	Section 7-29-4 NMSA 1978 was originally enacted in 1980. Through an amendment in 1995, subsection (B)(2) was enacted. Section 7-29B-6(A) NMSA 1978 was originally enacted in 1995 and amended in 1999.
Evaluation:	This exemption provides incentive for well restoration activity. No wells have qualified for this incentive for the time periods covered by this report due to the price of WTI crude oil exceeding \$24 per barrel. While it is unknown whether the price of WTI crude oil will drop below \$24 per barrel, the production of oil has changed significantly during the history of this exemption. As oil reserves have become more difficult to extract, enhanced extraction techniques have increased production and improved cost efficiencies.
Recommendations:	A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.
Reliability Factor:	 1 - There are no expenditures resulting from this exemption.
Fiscal Impact:	None.

OIL AND OTHER LIQUID HYDROCARBONS RATE DIFFERENTIAL FROM OIL AND GAS EMERGENCY SCHOOL TAX


Category:	Highly Specialized Industry
Brief Description:	<p>The emergency school tax on oil and other liquid hydrocarbons is 3.15% unless the product is taxed pursuant to a different rate as provided in statute.</p> <p>When the average annual taxable value of oil is equal to or less than \$15 per barrel in the calendar year preceding July 1 of the fiscal year in which the tax rate is imposed, the tax rate on oil and other liquid hydrocarbons that are removed from a stripper well is 1.58%. The qualification criteria for receiving the stripper well incentive tax rate is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6 NMSA 1978.</p> <p>When the average annual taxable value of oil in the previous calendar year was greater than \$15 per barrel but not greater than \$18 per barrel, the tax rate on oil and other liquid hydrocarbons that are removed from a stripper well is 2.36%. The qualification criteria for receiving the stripper well incentive tax rate is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6 NMSA 1978.</p>
Statutory Basis:	7-31-4(A)(4), 7-31-4(A)(5) , and 7-29B-6 NMSA 1978
Intended Purpose:	To incentivize the removal of oil and other liquid hydrocarbon from a stripper well when prices are low.
History:	7-31-4 NMSA 1978 was originally enacted in 1959 and through an amendment in 1999, subsections (A)(4)-(5) were enacted. An amendment in 2025 to subsection A defined the imposition of the tax on all products severed to standardize language across all severance taxes. Previous language imposed the tax on all products severed. 7-29B-6 NMSA 1978 was originally enacted in 1995 and amended in 1999 to include stripper wells.
Evaluation:	This exemption provides an incentive for well restoration activity. No wells have qualified for this incentive for the time periods covered by this report due to the average annual taxable value of oil exceeding \$18 per barrel. While it is unknown whether the average annual taxable value of oil will drop below \$18 per barrel, the production of oil has changed significantly during the history of this exemption. As oil reserves have become more difficult to extract, enhanced extraction techniques have increased production and improved cost efficiencies.
Recommendations:	A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.
Reliability Factor:	 1 - There are no expenditures resulting from this rate differential provision.
Fiscal Impact:	None.

OIL AND OTHER LIQUID HYDROCARBONS RATE DIFFERENTIAL FROM OIL AND GAS SEVERANCE TAX RATE

Category:	Highly Specialized Industry
Brief Description:	<p>The oil and gas severance tax rate on oil and other liquid hydrocarbons is 3.75% unless the product is taxed pursuant to a different rate as provided in statute.</p> <p>When the average annual price of WTI crude oil is less than \$28 per barrel in the previous year, the tax rate on oil and other liquid hydrocarbons from a qualified enhanced recovery project is 1.875%. The statute specifies a non-standard calendar of June through May when calculating the average WTI price. The qualification criteria for enhanced recovery projects is set in Section 7-29A NMSA 1978.</p> <p>When the average annual price of WTI crude oil is less than \$24 per barrel in the previous year, the tax rate on oil and other liquid hydrocarbons from a well workover project is 2.45%. Note the statute specifies a non-standard calendar of June through May when calculating the average WTI price. The qualification criteria for receiving the well workover project incentive tax rate is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6 NMSA 1978.</p> <p>When the average annual taxable value of oil is equal to or less than \$15 per barrel in the previous calendar year, the tax rate on oil and other liquid hydrocarbons from a stripper well property is 1.875%. The qualification criteria for stripper well projects to receive the incentive rate is set in Section 7-29B-6 NMSA 1978.</p> <p>When the average annual taxable value of oil was greater than \$15 per barrel but not more than \$18 per barrel in the previous calendar year, the tax rate on oil and other liquid hydrocarbons from a stripper well property is 2.8125%. The qualification criteria for stripper well projects to receive the incentive rate is set in Section 7-29B-6 NMSA 1978.</p>
Statutory Basis:	7-29-4(A)(3), 7-29-4(A)(5), 7-29-4(A)(8), 7-29-4(A)(9), 7-29A, and 7-29B-6 NMSA 1978
Intended Purpose:	To incentivize continued oil production when oil prices are low.
History:	Section 7-29-4(A) NMSA 1978 was originally enacted in 1980 and amendments in 1992, 1995, and 1999 enacted and amended subsections (3), (5), (8) and (9). Section 7-29A NMSA 1978 was originally enacted in 1992 and amended in 1993. Section 7-29B-6 NMSA 1978 was originally enacted in 1995 and amended in 1999 to include stripper wells. Section 7-29A NMSA 1978 was originally enacted in 1992 and amended in 1993.

Evaluation: No wells have qualified for this incentive for the time periods covered by this report due to the price of WTI crude oil exceeding \$28 per barrel and the average annual taxable value of oil exceeding \$15 per barrel (rate differential thresholds). While it is unknown whether the average annual taxable value of oil will drop below \$18 per barrel or WTI average annual prices will be less than \$28 per barrel, the production of oil has changed significantly during the history of this exemption. As oil reserves have become more difficult to extract, enhanced extraction techniques have increased production and improved cost efficiencies.

Recommendations: A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.

Reliability Factor:  1 - There are no expenditures resulting from this rate differential provision.

Fiscal Impact: None.

ORGAN DONATION DEDUCTION FROM PIT

Category: Citizen Benefits

Brief Description: A taxpayer may claim a deduction from net income in an amount not to exceed \$10,000 for organ donation-related expenses, including lost wages, lodging expenses, and travel expenses, incurred during the taxable year by the taxpayer or the taxpayer's dependent as a result of the taxpayer's or dependent's donation of a human organ to another person for transfer of that human organ to the body of another person.


Statutory Basis: 7-2-36 NMSA 1978

Intended Purpose: To help remove obstacles that prevent people from making living organ donations by reducing the associated financial losses.

History: Originally enacted in 2005.

Evaluation: While factors like blood type serve as an unchangeable barrier to donating organs, for those who are matches, this credit helps to offset related expenses. In the last three fiscal years, on average 113 taxpayers have claimed this deduction with an average annual cost of \$10,000.

Recommendations: The deduction saved claimants an average of \$84.90 in tax year 2024. Assuming an effective tax rate of 2.8%, these individuals had organ donation-related expenses of about \$3,032 per taxpayer. The deduction may not be impactful in encouraging organ donation. Additional tax relief could be delivered to individuals who donate an organ through a credit rather than a deduction.

Reliability Factor:  2 - This exemption is separately reported. Some estimation is required.

Fiscal Impact:

Organ Donation Deduction	Tax Year (Calendar)	2022	2023	2024
	Claims	120	97	106
	Expenditure (thousands)	\$11	\$9	\$9
	Fiscal Year	2023	2024	2025
	Claims	122	101	116
	Expenditure (thousands)	\$11	\$9	\$9

PERSONS ONE HUNDRED AND OLDER EXEMPTION FROM PIT

Category: Citizen Benefits

Brief Description: The income of an individual who is (1) a natural person, (2) one hundred years of age or older, and (3) not a dependent of another individual is exempt from PIT.


Statutory Basis: 7-2-5.7 NMSA 1978

Intended Purpose: To eliminate the income of aged persons from the tax base and reduce the reporting and financial burden on this aging population.

History: Originally enacted in 2002.

Evaluation: None.


Recommendations: None.

Reliability Factor:  2 - The exemption is separately reported. Unmarried centenarians are not required to file a return unless they wish to claim other rebates and credits. Some estimation is required.

Fiscal Impact:

Over 100 Income Exemption	Tax Year (Calendar)	2022	2023	2024
	Claims	177	183	166
	Expenditure (thousands)	\$335	\$357	\$463
	Fiscal Year	2023	2024	2025
	Claims	176	182	194
	Expenditure (thousands)	\$344	\$353	\$507


PERSONS SIXTY-FIVE AND OLDER OR BLIND EXEMPTION FROM PIT

Category:	Citizen Benefits
Brief Description:	An individual who is 65 years or older or who is blind may claim an exemption from PIT based on a sliding scale, not to exceed \$8,000.
Statutory Basis:	7-2-5.2 NMSA 1978
Intended Purpose:	To reduce the financial burden on older or blind taxpayers.
History:	This PIT exemption was originally enacted in 1985 and amended in 1987.
Evaluation:	<p>This exemption excludes more than \$965 million of income from the PIT base each year. On average, about 109,000 taxpayers benefit from this exemption each year. Over the last three fiscal years, the number of claims has decreased slightly, while the amount of the expenditure has decreased due to the sliding scale amount of the exemption remaining the same despite inflation. However, both the number of claims and the amount of expenditure may increase in keeping with demographic trends toward an older population.</p> <p>The social security income exemption from personal income tax (7-2-5.14 NMSA 1978) was enacted in 2022. As a result, taxpayers 65 and older or blind exempted more income under the social security exemption, shifting state expenditure from this exemption to the social security exemption. Expenditures for this exemption fell by 30% from FY2023 to FY2024 and 24% from FY2024 to FY2025.</p>
Recommendations:	To ensure that inflation does not erode the value of this benefit to older, disabled taxpayers, income thresholds could be adjusted for inflation annually.
Reliability Factor:	 2 -Information is reported separately for the exemption. Some estimation is required.

Fiscal Impact:

65 and older or blind Exemption	Tax Year (Calendar)	2022	2023	2024
	Claims	110,070	105,813	97,011
	Expenditure (thousands)	\$814	\$573	\$398
	Fiscal Year	2023	2024	2025
	Claims	113,329	108,560	105,391
	Expenditure (thousands)	\$890	\$621	\$471


POTASH RATE DIFFERENTIAL FROM RESOURCES TAX AND PROCESSORS TAX

- Category:** Highly Specialized Industry
- Brief Description:** Potash is taxed at reduced rates through two specific excise taxes:
 Resources Tax: 0.5% of taxable value
 Processors Tax: 0.125% of taxable value
 This contrasts with the base Resource Tax and Processors Tax rates of 0.75%.
- Statutory Basis:** 7-25-4A(2) and 7-25-5A(3) NMSA 1978
- Intended Purpose:** Presumably to incentivize the mining and processing of potash.
- History:** Section 7-25-4 NMSA was originally enacted in 1966 and amended in 1970, 1973, and 1999. Section 7-25-5 NMSA 1978 was originally enacted in 1985 and amended in 1999.
- Evaluation:** There was no reported potash production in the state during the time period analyzed. As such, there were no expenditures for the Resources Tax. The rate differential for the Processors Tax has remained consistent over the years.
- Recommendation:** None.
- Reliability Factor:**  1 – This expenditure is calculated directly using taxpayer data. No estimation is required. No taxpayers have reported production of potash, as such, there is no fiscal impact on the Resources Tax.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Potash Rate Differential from Resources and Processors Tax	Resources Tax Taxpayers	0	0	0
	Resources Tax Expenditure (thousands)	\$0	\$0	\$0
	Processors Tax Taxpayers	3	3	3
	Processors Tax Expenditure (thousands)	\$1,877	\$1,285	\$1,445

PRESCRIPTION DRUGS, OXYGEN, AND MEDICAL CANNABIS GRT AND GGRT DEDUCTION

Category:	Health Care
Brief Description:	Receipts from the sale of prescription drugs, oxygen, and oxygen services provided by a licensed Medicare durable medical equipment provider are deductible from gross receipts and governmental gross receipts. Receipts from the sale of medical cannabis products sold in accordance with the Lynn and Erin Compassionate Use Act are deductible from gross receipts and governmental gross receipts. Beginning June 20, 2025, receipts from the sale of psilocybin products sold in accordance with the Medical Psilocybin Act are deductible from gross receipts and governmental gross receipts.
Statutory Basis:	7-9-73.2 NMSA 1978
Intended Purpose:	To reduce the effective cost of prescription drugs, oxygen, medical cannabis, and medical psilocybin as a public welfare mechanism.
History:	Originally enacted in 1998 and amended in 2003, 2007, 2021, and 2025. The 2021 amendment expanded the deduction to include medical cannabis. Two separate amendments occurred in 2025. The first amendment requires a taxpayer to separately report the deduction. The second amendment expands the deduction to include receipts from the sale of psilocybin products and medical care sold in accordance with the Medical Psilocybin Act.
Evaluation:	This deduction removes the gross receipts tax burden from sellers who would otherwise pass it on to consumers of these products that are approved for use.
Recommendations:	None.
Reliability Factor:	 3 - Data published by the Centers for Medicare and Medicaid Services for 2023 on oxygen and oxygen services provided to Medicare beneficiaries was used to calculate the oxygen portion of this deduction. The medical cannabis deduction is calculated using data from the New Mexico Regulation and Licensing Department on medical cannabis sales. The prescription drugs deduction amount is calculated using state-specific data published by the Kaiser Family Foundation on total retail sales of prescription drugs for 2019. These data were updated to 2023 using the annual percent change of retail prescription drug expenditures for the US, retrieved from The National Health Expenditure Accounts. The annual percentage growth in spending in health care published by S&P Global was used to estimate the costs of prescription drugs and oxygen in 2024-2025. The total deduction amount was multiplied by the statewide average GRT rate for each year to estimate the cost. The estimated impact amount includes both state and local revenue. A methodological revision led to a reduction in the fiscal impact of this expenditure compared to previous reports. Starting in FY2026, this deduction will be separately reported, which will improve the reliability factor.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Prescription Drugs, Oxygen and Medical Cannabis GRT and GGRT Deduction	State General Fund Expenditure (thousands)	\$151,000	\$154,400	\$164,800
	Local Government Expenditure (thousands)	\$96,600	\$102,900	\$109,900

PRESERVATION OF CULTURAL PROPERTY CREDIT AGAINST PIT AND CIT

Category: Citizen Benefits

Brief Description: Taxpayers may claim a credit on a PIT or CIT return of 50% of the cost of restoring, rehabilitating, or preserving properties listed on the New Mexico Register of Cultural Properties.

The credit may not exceed \$25,000 unless the property is located within a designated arts and cultural district. The credit may not exceed \$50,000 for properties located within an arts and cultural district.

The credit is not refundable but may be carried forward up to four years.


Statutory Basis: 7-2-18.2 and 7-2A-8.6 NMSA 1978

Intended Purpose: To encourage the restoration, rehabilitation and preservation of cultural properties.

History: The PIT credit was originally enacted in 1984 and amended in 2007. The CIT credit was originally enacted in 1984 and amended in 1986 and 2007.

Evaluation: None.


Recommendations: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Preservation of Cultural Property Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	60	63	60
	Expenditure (thousands)	\$182	\$197	\$226
	Fiscal Year	2023	2024	2025
	Claims	62	59	75
	Expenditure (thousands)	\$235	\$174	\$278

PRODUCTION OR STAGING OF PROFESSIONAL CONTESTS GRT DEDUCTION

- Category:** Highly Specialized Industry
- Brief Description:** Receipts from producing or staging professional boxing, wrestling, or martial arts contests that occur in New Mexico, including receipts from ticket sales and broadcasting, are deductible from gross receipts.
- Statutory Basis:** 7-9-107 NMSA 1978
- Intended Purpose:** To incentivize professional boxing, wrestling, and martial arts contests to take place in New Mexico.
- History:** Originally enacted in 2007.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  3 - The New Mexico Regulations and Licensing Department (RLD) provides annual data on the number of sanctioned events and associated fees. A calculation of associated gross receipts and foregone revenue is computed based on RLD data for FY2023 and FY2024. Given the lack of data, for FY2025, the average of the two previous fiscal years was used to calculate the fiscal impact. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.


Fiscal Impact:

	Fiscal Year	2023	2024	2025
Production or Staging of Professional Contests GRT Deduction	State General Fund Expenditure (thousands)	\$103	\$94	\$97
	Local Government Expenditure (thousands)	\$65	\$62	\$64

PROPERTY VALUATION LIMITATION FOR LOW-INCOME SENIOR OR DISABLED HOME OWNERS UNDER PROPERTY TAX

Category:	Citizen Benefits
Brief Description:	<p>The valuation of a single-family, owner-occupied residence, whose owner is at least 65 years of age or older or disabled, and who has a modified gross income for the prior year not exceeding \$35,000 or the published annual inflation-adjusted modified gross income, may not be greater than the prior year valuation or the valuation for the year the owner reaches age 65 or qualifies as disabled.</p> <p>Taxpayers must apply for the limitation with their county assessor. An owner who has claimed and been granted the property valuation limitation for three consecutive years is not required to apply for the limitation and it will be automatically applied by the county assessor. Any change in status that would deem the owner ineligible must be reported to the county assessor by the last day of February of the tax year immediately following the year the eligibility was lost.</p> <p>Select definitions:</p> <p>(1) “Disabled” means a person who has been determined to be blind or permanently disabled pursuant to the federal Social Security Act or to the New Mexico Workers Compensation Act;</p> <p>(2) “modified gross income” is defined the Income Tax Act (7-2 NMSA 1978), and it includes all income, undiminished by losses, and from whatever source, for the taxpayer and the taxpayer’s spouse and dependents.</p>
Statutory Basis:	7-36-21.3 NMSA 1978
Intended Purpose:	To ease the tax burden and reduce the financial burden on low-income seniors or disabled property owners.
History:	Originally enacted in 2000 and amended in 2001, 2003, 2008, 2013, 2019 and 2020. The 2019 amendment increased the income limit for eligibility and made other technical language clarity changes. The 2020 amendment clarified the limitation language on valuation.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	Insufficient data to estimate the fiscal impact.
Fiscal Impact:	Unknown currently. The number of taxpayers granted the limitation is reported by counties. Individual valuations of properties or other statistics such as the average value are currently unknown to calculate a fiscal impact.


PUBLICATION SALES GRT DEDUCTION

- Category:** Highly Specialized Industry
- Brief Description:** Receipts from publishing newspapers or magazines are deductible from gross receipts.
- Statutory Basis:** 7-9-63 NMSA 1978
- Intended Purpose:** To support operations of publishing companies in the state and decrease the consumer cost of purchasing publications.
- History:** Originally enacted in 1969.
- Evaluation:** With the proliferation of digital mobile devices, this expenditure may not be enough to counter the market shift from print to electronic media. It is expected that publishers will seek profitability from other sources, including consolidation of printing operations, new advertising revenue streams, and electronic subscriptions.
- Recommendations:** None.
- Reliability Factor:**  3 - Taxpayer reported deductions filed by publishing-related NAICS sectors were used to estimate the cost of this deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. The selection of NAICS codes was refined for this year's edition.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Publication Sales GRT Deduction	State General Fund Expenditure (thousands)	\$128	\$30	\$66
	Local Government Expenditure (thousands)	\$82	\$20	\$44

PURSES AND JOCKEY RENUMERATION AT NEW MEXICO RACETRACKS EXEMPTION FROM GRT

- Category:** Highly Specialized Industry
- Brief Description:** The receipts of horsemen, jockeys, and trainers from race purses at New Mexico horse racetracks subject to the jurisdiction of the state racing commission are exempt from GRT.
- Statutory Basis:** 7-9-40(A) NMSA 1978
- Intended Purpose:** To reduce the tax burden of horsemen, jockeys, and trainers.
- History:** Originally enacted in 1970 and amended in 1971, 1985, and 1989.
- Evaluation:** Although horse racing attendance and the total number of horse racing events are down statewide and nationwide, annual purses have not decreased in New Mexico.
- Recommendations:** None.
- Reliability Factor:**  3 – Yearly data on races and purse sizes from the Jockey Club’s annual New Mexico Fact Book was combined with an industry standard rate of 10% of purses going each to jockeys and trainers. The 2025 New Mexico Fact Book has data through 2024 that is used in the estimations below. The FY2025 cost was estimated based on the average purse amounts from 2019-2024, excluding 2020 and 2021. The exemption amount is multiplied by the statewide average GRT rate for each year to estimate the cost. The estimated impact amount includes both state and local revenue.


Fiscal Impact:

	Fiscal Year	2023	2024	2025
Purses and Jockey Remuneration at NM Racetracks Exemption from GRT	State General Fund Expenditure (thousands)	\$118	\$101	\$111
	Local Government Expenditure (thousands)	\$77	\$66	\$73

RAILROAD EQUIPMENT, AIRCRAFT, AND SPACE VEHICLES EXEMPTION FROM COMPENSATING TAX

Category:	Highly Specialized Industry
Brief Description:	The use of railroad locomotives, trailers, containers, tenders or cars procured or bought for use in railroad transportation; the use of commercial aircraft bought or leased primarily for use in the transportation of passengers or property for hire in interstate commerce; and the use of space vehicles for transportation of persons or property in, to, or from space are exempt from compensating tax.
Statutory Basis:	7-9-30 NMSA 1978
Intended Purpose:	To reduce the cost of railroad transportation, aircraft transportation, and space transportation; potentially to comply with the federal preemption doctrine.
History:	Originally enacted in 1969 and amended in 1988 and 2003.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data is available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

REAL ESTATE TRANSACTIONS GRT DEDUCTION

- Category:** Highly Specialized Industry
- Brief Description:** Receipts from real estate commissions on the sale of real property, which is subject to the GRT (new construction under Section 7-9-53(A) NMSA 1978), are deductible from gross receipts. Typically, brokerage commissions are deductible from gross receipts when the underlying sales are not subject to tax. With respect to new construction, the part of the sale that reflects the value of the newly constructed improvements is taxable, but the value of the underlying real estate is deductible.
- Statutory Basis:** 7-9-66.1 NMSA 1978
- Intended Purpose:** To incentivize real estate construction in New Mexico.
- History:** Originally enacted in 1984 and amended in 1990.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  3 - Yearly valuations of new residential construction by county is tracked by DFA. This sum is multiplied by the national ratio of the number of properties that are built to be sold (“on spec”) determined from US Census data. It is assumed that little to no commercial real estate is constructed and then sold in such a way. A commission rate of 6% was assumed and a yearly statewide average GRT rate applied to that. Data from the U.S. Federal Housing Authority on home prices is used for more current years when data is not available from DFA. Changes in the DFA reporting system led to revisions in the figures reported in previous versions of this report.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Real Estate Transactions GRT Deduction	State General Fund Expenditure (thousands)	\$2,033	\$1,496	\$3,264
	Local Government Expenditure (thousands)	\$1,300	\$997	\$2,176

RENEWABLE ENERGY PRODUCTION CREDIT AGAINST PIT AND CIT


Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>Taxpayers are allowed a credit against PIT and CIT for producing electricity using solar light or heat, wind, or biomass. The credit only applies to taxpayers that hold title to a facility that generates electricity for sale to third parties or to taxpayers who lease a qualified energy generator under an industrial revenue bond agreement if the electricity was first produced on or before January 1, 2018. Taxpayers must receive certification for a credit from EMNRD.</p> <p>The amount of the credit is \$0.01 per kilowatt-hour (kWh) up to 400,000 megawatt-hours (MWh) annually per taxpayer for wind- or biomass-derived electricity. The aggregate cap for all wind projects is set at 2 million MWh.</p> <p>The amount of the credit ranges from \$0.015 to \$0.04 per kWh up to 200,000 MWh annually per taxpayer for solar-light-derived or solar-heat-derived electricity, depending on the consecutive taxable year for which the credit is being claimed. The aggregate cap for all solar projects is set at 500,000 MWh.</p> <p>The wind aggregate cap, maximized at 2 million MWh, represents total annual credit payments of \$20 million. The solar credit varies by year, on average the yearly credit is \$0.0275 per kWh. The solar credit ranges from \$0.015 in the first year of production to \$0.04 in the sixth year of production, down to \$0.02 in the tenth year. If the 500,000 MWh are used, the average total annual credit is \$13.75 million.</p> <p>A qualified taxpayer is eligible for the renewable energy production tax credit for a maximum of ten consecutive years, beginning on the date the qualified energy generator begins producing electricity. The 2021 PIT and CIT legislative amendments clarified the ten-year timespan as the previous law read as technically only nine and a half years.</p> <p>For production beginning before October 1, 2007, the credit is not refundable, but may be carried forward for five years. For qualified electricity produced after October 1, 2007, the credit is refundable.</p>
Statutory Basis:	7-2-18.18 and 7-2A-19 NMSA 1978
Intended Purpose:	To encourage the development of renewable energy generating facilities in New Mexico. If the renewable facilities replace coal or natural gas-fired facilities, the increased use will assist the state in reducing emissions associated with its electricity supply, including carbon dioxide and other pollutants regulated by the EPA.

History: The PIT credit was originally enacted in 2007 and amended in 2021. The CIT credit was originally enacted in 2002 and amended in 2003, 2005, 2007, and 2021.

Evaluation: The mechanics of implementation limit the number of taxpayers eligible to claim this credit. There is a queue of taxpayers seeking to claim this credit, but due to production limits are not fully qualified to claim the credit.

The taxpayer that holds title to a renewable energy production facility is eligible to claim the credit. Consequently, this credit is frequently used to engage in “tax credit financing” of renewable energy production facilities. The credit may be allocated without regard to proportional ownership interest. Thus, many renewable energy production facilities are structured as pass-through entities so that this credit can be passed-through to a financing owner.


Recommendations: The state should attempt to determine the cost-effectiveness of this credit before the expiration date is reached. Generation costs of renewable facilities have fallen sharply in recent years. According to a 2017 survey by Scientific American, many wind-powered facilities now produce wind for as little as 2 cents per kWh, making the current credit rate equal to 100% of the value of the power. This is an unusually high rate of subsidy when compared with other incentives offered by the State. If wind power is sufficiently competitive with other power sources, it may not need a subsidy at this level to continue to increase its share of the State’s electricity generation market.

Reliability Factor:  1 - This credit is separately reported. No estimation is required. The eligibility period for this credit is limited to facilities that first generated electricity on or before January 1, 2018. Given the ten-year period for claiming credits, tax liabilities will be reduced under this program through fiscal year 2027.

Fiscal Impact:

Renewable Energy Production Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	32	22	0
	Expenditure (thousands)	\$28,770	\$28,639	\$0
	Fiscal Year	2023	2024	2025
	Claims	101	39	30
	Expenditure (thousands)	\$43,890	\$24,305	\$33,485

RESTAURANT AND BAR TEMPORARY GRT DEDUCTION

Category:	Economic Development
Brief Description:	Receipts from the sale of prepared food and beverages at a restaurant or bar were deductible from March 1, 2021, through July 1, 2021. The deduction was accompanied by a hold harmless provision for local governments for their portion of the deduction from the State General Fund.
Statutory Basis:	7-9-118 NMSA 1978
Intended Purpose:	To provide temporary economic relief to restaurants and bars that were impacted by public health orders and lower customer traffic because of the COVID-19 pandemic.
History:	Enacted in the 2021 Regular Legislative Session. Repealed in 2025 with an effective date of July 1, 2025.
Evaluation:	<p>The targeted relief in the bill allowed for a concentrated benefit to the restaurant and bar industry, which experienced difficulties during the COVID-19 pandemic. It was intended that restaurants and bars generally collect the typical amount of tax on their sales but retain the tax to improve their profitability during the COVID-19 pandemic. Restaurants and bars alternatively could have passed along the benefit to consumers through lower prices.</p> <p>Although the deduction provided \$51.1 million of targeted tax relief, claims were less than anticipated when enacted (\$90.3 million). That is due to lower restaurant and bar receipts during the four-month period, as well as some eligible taxpayers not claiming the deduction.</p>
Recommendations:	None.
Reliability Factor:	 1 – The deduction was separately reported by the taxpayer. While this deduction was only available for the period of March 1, 2021, through July 1, 2021, the fiscal impact extends into fiscal year 2022 and 2023 due to new and amended returns for that period of time.

Fiscal Impact:

More than three years are reported to maintain history of non-recurring GRT data. Data in FY2024 and FY2025 is negative due to return amendments and reversal of some deductions.

This deduction is repealed effective July 1, 2025. This will be the last time this deduction is reported on in the annual Tax Expenditure Report.


Restaurant and Bar Temporary GRT Deduction	Fiscal Year	2021	2022	2023	2024	2025
	Claims	3,753	289	13	NA	NA
	State General Fund Expenditure from deduction (thousands)	\$34,140	\$2,241	\$251	(\$9)	(\$20)
	State General Fund Expenditure from Hold Harmless (thousands)	\$16,618	\$1,681	\$143	(\$5)	(\$23)

RURAL HEALTH CARE PRACTITIONER CREDIT AGAINST PIT

Category:	Health Care
Brief Description:	<p>Licensed doctors, osteopathic physicians, dentists, clinical psychologists, podiatrists, and optometrists who provide health care services in New Mexico in a rural health care, underserved area in a taxable year may claim a credit of up to \$5,000 against PIT.</p> <p>Licensed dental hygienists, physician assistants, certified nurse midwives, certified registered nurse anesthetists, certified nurse practitioners, and clinical nurse specialists who provide health care services in New Mexico in a rural health care, underserved area in a taxable year may claim a credit of up to \$3,000 against PIT.</p> <p>For tax years 2023 and prior, to qualify for the full credit, a practitioner must have provided health care for 2,080 hours at a practice site in an approved area. If the practitioner provided health care for at least 1,040 hours, the practitioner was eligible for 50% of the credit. For tax years 2024 and after, the hours are reduced to 1,584 to receive the full credit and 792 hours for half credit. Taxpayers receive certification for a credit from DOH. The credit can be carried forward for three consecutive years.</p>
Statutory Basis:	7-2-18.22 NMSA 1978
Intended Purpose:	To improve access to health care in rural or underserved areas of the state by providing a tax benefit to health care practitioners who work in those areas.
History:	Originally enacted in 2007 and amended in 2024 and 2025. The 2024 amendment modified and added occupations of health care practitioners and the amendment also reduced the required number of hours worked to be eligible for the credit. In addition, the definition of “rural” now corresponds to the federal definition as determined by the health resources and services administration of the United States Department of Health and Human Services.
Evaluation:	<p>About one-third of New Mexico’s residents reside in rural areas, according to the New Mexico Health Care Workforce Committee’s 2023 Annual Report. These areas tend to have lower densities of health professionals. While retention of health care practitioners in rural areas has been a challenge, COVID-19 has affected health care providers’ decision of where and how to practice. The report notes that there is a growing interest among physicians to transition to small-town or rural practice. This tax credit may be useful in further attracting and retaining health care practitioners to underserved, rural areas.</p> <p>To the extent the purpose of this credit is to improve access to health care in rural and underserved areas, an evaluation of the full scope of health care needed for these areas of the state should be considered. The expansion of</p>

telemedicine has benefitted rural health care access in rural areas. Enhanced access to broadband in rural areas may complement telemedicine.


Recommendations: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Credit, Rural Healthcare Practitioner	Tax Year (Calendar)	2022	2023	2024
	Claims	2,035	1,958	4,193
	Expenditure (thousands)	\$7,075	\$6,851	\$12,504
	Fiscal Year	2023	2024	2025
	Claims	2,092	2,044	4,592
	Expenditure (thousands)	\$7,246	\$7,172	\$13,964

RURAL JOB CREDIT AGAINST MODIFIED COMBINED TAX, PIT, AND CIT

Category:	Economic Development
Brief Description:	<p>Eligible employers may earn the rural job tax credit for each qualifying job created after July 1, 2000, applying it to State GRT, compensating tax, withholding tax, PIT, or CIT.</p> <p>An eligible employer is one that EDD has approved for Job Training Incentive Program assistance. A qualifying job is a job filled by an eligible employee for 48 weeks in a 12-month qualifying period.</p> <p>The credit is 25% of the first \$16,000 of wages paid if the job is performed or based in a Tier 1 Area and 12.5% of the first \$16,000 of wages paid if the job is performed or based in a Tier 2 Area. The credit is taken in annual increments: 6.25% of the first \$16,000 in wages paid over four qualifying periods (years) if the job is performed at a location in a Tier 1 Area; 6.25% of the first \$16,000 in wages paid over two qualifying periods if the job is performed at a location in a Tier 2 Area. This credit may be carried forward for three years and is transferable.</p>
Statutory Basis:	7-2E-1.1 NMSA 1978
Intended Purpose:	To encourage businesses to expand into rural areas of the state.
History:	Originally enacted in 2007, the credit was amended in 2013 to tighten the definition of qualifying jobs and to clarify the definition of wages. Amended in 2021 to expand the intended purpose, revise certain employer certifications with respect to each qualifying job for which an eligible employer seeks the rural job tax credit, add time limits in which to apply for the rural job tax credit, define "new job", revise the definition of "qualifying job", and requiring taxpayers to timely apply. Amended in 2025 for minor clean-up.
Evaluation:	<p>The number of claims and the amount claimed have shown a downward trend over the years. There is a possibility that awareness of this credit has dwindled over time. The amount of the credit has not been adjusted for inflation since the credit was enacted, which might also be causing its attractiveness to drop among employers.</p> <p>For a recent analysis on the impact of the rural job credit, see the Tax-E "Rural Job Tax Credit," provided by the Legislative Finance Committee, see the Tax Expenditure Assessments at:</p> <p>https://www.nmlegis.gov/Entity/LFC/Revenue Economic Reports and Tax Policy.</p>
Recommendations:	Consider benchmarking the credit amount to an index that is adjusted annually for inflation.
Reliability Factor:	 1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Rural Jobs Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	39	6	8
	Expenditure (thousands)	\$593	\$189	\$177
	Fiscal Year	2023	2024	2025
	Claims	42	45	39
	Expenditure (thousands)	\$832	\$637	\$822

**SALE AND USE OF AGRICULTURAL IMPLEMENTS, FARM TRACTORS,
AIRCRAFT, AND MOTOR VEHICLES THAT DO NOT HAVE
TO BE REGISTERED GRT AND COMPENSATING TAX DEDUCTION**

Category: Highly Specialized Industry

Brief Description: (A) 50% of the receipts from selling, or of the value of farm tractors and agricultural implements when used by persons engaged in the business of farming or ranching, are deductible from gross receipts and from the total value before computing compensating tax.

50% of the receipts from selling, or of the value of vehicles not required to be registered under the Motor Vehicle Code are deductible from gross receipts and from the total value before computing compensating tax.

50% of the receipts from selling, or of the value of, aircraft not bought or leased primarily for use in the transportation of passengers or property for hire in interstate commerce are deductible from gross receipts and from the total value before computing compensating tax.

(B) Receipts of an aircraft manufacturer or affiliate from selling aircraft, or from selling aircraft flight support, pilot training or maintenance training services are deductible from gross receipts.

(C) Receipts from selling aircraft parts or maintenance services for aircraft or aircraft parts are deductible from GRT.

Statutory Basis: 7-9-62 and 7-9-77 NMSA 1978

Intended Purpose: To incentivize the purchase of agricultural implements and farm tractors to reduce the effective costs of agricultural activities to encourage development of the aircraft industry in New Mexico by reducing related costs of selling and using aircraft for other than transportation of passengers or property for hire in intrastate commerce.


History: The GRT deduction was originally enacted in 1969 and amended in 1975, 1998, 2000, 2007, 2014, and 2025. The 2014 amendment expanded the deduction to allow any entity selling aircraft parts or maintenance services for aircraft or aircraft parts to take the deduction starting July 1, 2015. The 2025 amendment revised reporting requirements and removed certain obsolete language.

The compensating tax deduction was originally enacted in 1966 and was amended in 1969, 1975, 1988, and 1998.

Evaluation: To the extent agricultural implements and aircraft are used in the production of agricultural goods intended for sale, this deduction could be viewed as reducing the effects of pyramiding.

Since FY2015, this GRT deduction has been separately reported. However, compensating tax deductions are not separately reported.

Recommendations: None.


Reliability Factor:  2 - This deduction is separately reported. Despite being separately reported, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will be further analyzing this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

No compensating tax was estimated for fiscal years 2023 and 2024. Starting in fiscal year 2025, taxpayers are required to report GRT and compensating tax deductions separately.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
	Taxpayers	57	94	70
Sale and Use of Agricultural Implements, Farm Tractors, Aircraft, and Motor Vehicles that Don't Have to be Registered - GRT and Compensating Tax Deduction	State General Fund Expenditure (thousands)	\$2,981	\$3,763	\$3,650
	Local Government Expenditure (thousands)	\$1,906	\$2,509	\$2,434
	Compensating Tax (thousands)	Unknown	Unknown	\$0

SALE OF AEROSPACE SERVICES FOR THE U.S. AIR FORCE GRT DEDUCTION

- Category:** Highly Specialized Industry
- Brief Description:** Receipts from performing or selling aerospace research and development for resale to an organization or for resale to the U.S., other than a national laboratory, are deductible from gross receipts.
- Statutory Basis:** 7-9-54.1 NMSA 1978
- Intended Purpose:** To incentivize the U.S. Air Force to relocate the Space Systems Division to New Mexico.
- History:** Originally enacted in 1992 and amended in 1993, 1994, 1995, and 2021.
The 2021 amendment clarified that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction and removed obsolete language.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  4 – The cost of this deduction was estimated using reports of defense spending by state and fiscal year from the U.S. Department of Defense Office of Local Defense Community Cooperation multiplied by the statewide average GRT rate for each year. Since there is a year lag in the reports, the expenditure for the fiscal year 2024 was estimated using the average of the three previous fiscal years. Tax & Rev used the proportion of the spending on Research and Development in the state and applied it to the Air Force's total expenditures in New Mexico. Because of the federal government shutdown, there was no reporting for the fiscal year 2024, so the impact of this deduction for the fiscal year 2025 was proxied by the average of the previous three fiscal years.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Sale of Aerospace Services for the U.S. Air Force GRT Deduction	State General Fund Expenditure (thousands)	\$11,624	\$11,164	\$11,517
	Local Government Expenditure (thousands)	\$7,431	\$7,443	\$7,678


SALES OF CERTAIN RESEARCH AND DEVELOPMENT SERVICES EXEMPTION FROM GRT

Category:	Economic Development
Brief Description:	<p>Receipts from selling research and development services performed outside New Mexico the product of which is initially used in New Mexico are exempt from GRT and the services are sold:</p> <ul style="list-style-type: none">(1) between affiliated corporations;(2) to the United States by persons who are prime contractors for New Mexico designated national laboratories but not organizations granted federal income tax exemption under Section 501(C)(3) of the Internal Revenue Code of 1986;(3) to persons who are prime contractors for New Mexico designated national laboratories but not organizations granted federal income tax exemption under Section 501(C)(3) of the Internal Revenue Code of 1986. <p>As used in this section:</p> <ul style="list-style-type: none">(1) An “affiliated corporation” means a corporation that directly or indirectly, through one or more intermediaries controls, is controlled by or is under common control with the subject corporation;(2) “Control” means ownership of stock in a corporation that represents at least eighty percent of the total voting power of that corporation and has a stated or par value equal to a least eighty percent of the total stated or par value of the stock of that corporation.
Statutory Basis:	7-9-13.1 NMSA 1978
Intended Purpose:	To encourage research and development in New Mexico, by allowing national laboratories and others access to out-of-state research and development without paying a penalty, as those research and development services cannot be obtained in New Mexico. Reducing the tax burden on innovation in New Mexico.
History:	Originally enacted in 1989 and amended in 2019.
Evaluation:	None.
Recommendation:	None.
Reliability Factor:	No data is available to estimate the fiscal impact of this exemption.
Fiscal Impact:	Unknown.

SALE OF CERTAIN SERVICES TO AN OUT-OF-STATE BUYER GRT DEDUCTION

Category:	Economic Development
Brief Description:	Receipts from performing a service in New Mexico are deductible from gross receipts if the sale of the service is made to an out-of-state buyer. To qualify for the deduction, the product of the service must be delivered to the buyer outside of New Mexico and be initially used by the buyer outside of New Mexico. The buyer must present an appropriate non-taxable transaction certificate or alternative evidence acceptable to Tax & Rev.
Statutory Basis:	7-9-57 NMSA 1978
Intended Purpose:	To encourage service exports by equalizing tax treatment with out-of-state service providers, most of which are not subject to a sales tax on services.
History:	Originally enacted in 1969 and amended in 1973, 1977, 1983, 1988, 1989, 1998, and 2000.
Evaluation:	None.
Recommendations:	None.
Reliability Factor:	No data are available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

SALE OF DYED SPECIAL FUEL FOR AGRICULTURAL PURPOSES GRT CREDIT


Category:	Highly Specialized Industry
Brief Description:	<p>Beginning July 1, 2024, and prior to July 1, 2029, a taxpayer who sells special fuel dyed in accordance with federal regulations may claim a tax credit in an amount equal to the gross receipts tax from the sale of special fuel against gross receipts taxes, provided that:</p> <p>(1) the taxpayer did not pass the amount of gross receipts tax on to the purchaser of the special fuel; and</p> <p>(2) the dyed special fuel was sold to a person who confirms to the department the special fuel is for agricultural purposes primarily and the gross receipts tax was not charged.</p> <p>The credit may be claimed for the taxable period in which the special fuel is sold. The credit has an aggregate annual cap of \$10 million that may be claimed. The credit is not refundable but may be carried forward for thirty-six consecutive taxable periods (defined as 36 months by department regulation).</p>
Statutory Basis:	7-9-58.1 NMSA 1978
Intended Purpose:	To reduce special dyed fuel costs for New Mexico’s agricultural producers.
History:	Originally enacted in 2024.
Evaluation:	None.
Recommendation:	It is recommended that GRT tax expenditures be structured as deductions for ease of administration and taxpayer compliance, as credits are more complicated to administer than deductions. Taxpayer burden may be a reason this credit is not being widely claimed.
Reliability Factor:	 1 - This credit is separately reported. No estimation is required.
Fiscal Impact:	Data cannot be disclosed due to the number of taxpayers being fewer than three.

SALE OF FOOD AT RETAIL FOOD STORES GRT DEDUCTION AND HOLD HARMLESS DISTRIBUTION

Category:	Citizen Benefits
Brief Description:	<p>Receipts from qualifying food sales by retail food stores as defined under the federal food stamp program are deductible from gross receipts. The deduction is required to be separately reported by the taxpayer.</p> <p>The original legislation provided that the revenues of municipal and county governments would be held harmless from any lost revenue resulting from the deduction. Under 2013 legislation, hold harmless distributions were to be phased out over 15 years with exceptions for certain small municipalities and counties. Under 2022 legislation, certain municipalities that did not enact a municipal hold harmless gross receipts tax began to have distributions frozen at fixed percentages of 30%, 50%, or 80%, based on their poverty rate in relation to the state poverty rate. The relative poverty rate comparison is calculated using the most current publication of the U.S. Census 5-year American Community Survey.</p>
Statutory Basis:	7-9-92, 7-1-6.46 and 7-1-6.47 NMSA 1978
Intended Purpose:	To reduce the burden of tax on food.
History:	<p>The GRT deduction was originally enacted in 2004 and amended in 2021. The 2021 amendment clarified that the deduction includes receipts for home-deliveries.</p> <p>The hold harmless provision was originally enacted in 2004 and was amended in 2006, 2007, 2013, 2016, 2022 and 2025. The 2013 amendment phased out the hold harmless distribution to larger counties and municipalities over a 15-year period starting July 1, 2015, under Sections 7-1-6.46 and 7-1-6.47 NMSA 1978. A 2016 amendment added a penalty for incorrectly filing for the food and medical deductions that result in hold harmless distributions instead of other exemptions or deductions that must be taken first. The penalty is 20% of the value of the hold harmless distribution resulting from the incorrect deduction. The 2022 amendment froze certain municipal distributions at a fixed percentage depending on the local poverty rate in relation to the state poverty rate and if they did not enact a municipal hold harmless gross receipts tax. The 2025 amendment deleted certain obsolete language.</p>
Evaluation:	The GRT deduction reduces the effective cost of food for home consumption (as opposed to restaurant meals or prepared foods). With the hold harmless provision and the loss of the revenue being made up through other tax burdens, this reduction has a significant cost to both the State General Fund and local governments. The food deduction benefits lower-income individuals who spend a greater share of their income on necessities including food.

Recommendations: This deduction is subject to frequent debate given the large amount of revenue foregone as a result. While discussion typically centers on whether or not to repeal the deduction, policymakers may also consider ways to reduce the administrative burden of managing a deduction and distribution of this magnitude.


Any future decision to tax any portion of food for home consumption may be coupled with measures to promote the principle of simplicity. The hold harmless distribution uses an intricate methodology to calculate the distributions, leading to a more complex and costly tax administration.

Reliability Factor:  1 - The deduction and hold harmless are separately reported. The estimates reflect the amounts of GRT revenue forgone by multiplying the GRT deduction amounts by the statewide average GRT rate for each year.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Sale of Food at Retail Food Stores GRT Deduction and Hold Harmless Distribution	State General Fund Expenditure from Local Hold Harmless Distributions (thousands)	\$95,851	\$122,091	\$94,125
	State General Fund Expenditure from Deduction (thousands)	\$211,221	\$282,054	\$239,971
	Net State General Fund Expenditure (thousands)	\$307,072	\$404,145	\$334,096
	Local Government Expenditure from Deduction (thousands)	\$136,846	\$184,852	\$157,272
	Net Local Government Expenditure	\$40,995	\$62,761	\$63,147


SALE OF SOFTWARE DEVELOPMENT SERVICES GRT DEDUCTION

- Category:** Economic Development
- Brief Description:** Receipts from the sale of software development services performed in a rural area by an eligible software company are deductible from gross receipts. A rural area is anywhere except an incorporated municipality with a population of more than 50,000.
- Statutory Basis:** 7-9-57.2 NMSA 1978
- Intended Purpose:** To stimulate new business development in rural areas.
- History:** Originally enacted in 2002.
- Evaluation:** It is difficult to determine whether this deduction is the cause of expansion in the targeted locations or industries, but based on Tax & Rev's methodology, the amount of the applicable deductions has increased significantly in recent years.
- Recommendations:** None.
- Reliability Factor:**  2 - Gross receipts deductions for taxpayers classified as software publishers and computer programmers reported outside of incorporated municipalities are assumed to qualify for the deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. A recent NAICS code revision by the federal Office of Management & Budget is reflected in FY25 estimates

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Sale of Software Development Services GRT Deduction	State General Fund Expenditure (thousands)	\$4,193	\$3,673	\$16,600
	Local Government Expenditure (thousands)	\$2,717	\$2,407	\$10,880

SALE OF TEXTBOOKS IN CERTAIN BOOKSTORES EXEMPTION FROM GRT

- Category:** Citizen Benefits
- Brief Description:** Receipts of certain bookstores from selling textbooks and other materials required for courses at a public post-secondary educational institution to a student enrolled at the institution are exempt from GRT. Only bookstores located on the campus of the institution and operated under a contractual agreement with the institution are eligible.
- Statutory Basis:** 7-9-13.4 NMSA 1978
- Intended Purpose:** To reduce the cost of educational materials to those attending higher educational institutions.
- History:** Originally enacted in 2002.
- Evaluation:** While the cost of textbooks is only one component of the overall cost of a college education, the exemption provides some relief.
- Recommendations:** Consider expanding the exemption so that it is not limited to bookstores operated by a post-secondary education institution. Off-campus school bookstores frequently stock required textbooks and materials for university courses. Also, the inclusion of eBooks purchases should be assessed in this exemption.
- Reliability Factor:**  4 - Using survey results from The National Association of College Stores, the estimate of the cost of required course materials is used. Enrollment numbers for public post-secondary institutions, reported by the New Mexico Higher Education Department, in combination with the cost of required course materials, calculates an aggregate total cost across all public institutions.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Sale of Textbooks in Certain Bookstores Exemption from GRT	State General Fund Expenditure (thousands)	\$1,500	\$1,400	\$1,500
	Local Government Expenditure (thousands)	\$1,000	\$1,000	\$1,000

SALES OF SERVICES TO MANUFACTURING GRT DEDUCTION

Category: Economic Development

Brief Description: Receipts from the sale of certain professional services may be deducted from gross receipts or governmental gross receipts if the sale is made to a person engaged in the business of manufacturing who delivers a nontaxable transaction certificate to the seller or provides alternative evidence. The professional services shall be related to the product that the buyer is in the business of manufacturing. The deduction is limited to accounting, architectural, engineering, information technology, and legal services.


Statutory Basis: 7-9-46.1 NMSA 1978

Intended Purpose: To encourage manufacturing businesses to locate in New Mexico and to reduce the cost of final products by reducing tax pyramiding on professional services.

History: Originally enacted in 2022.

Evaluation: None.

Recommendation: None.

Reliability Factor:  2 - This deduction is separately reported. Despite being separately reported, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. The drop in FY 2025 compared to FY 2024 reflects Tax & Rev's attempt to refine the fiscal impact by determining taxpayers that truly qualify for this deduction. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions.


Fiscal Impact:

	Fiscal Year	2023	2024	2025
	Taxpayers	133	2,986	2,049
Sales of Services to Manufacturing GRT Deduction	State General Fund Expenditure (thousands)	\$698	\$84,098	\$37,276
	Local Government Expenditure (thousands)	\$446	\$56,065	\$24,851

SALES TO NONPROFIT ORGANIZATIONS GRT, GGRT, AND COMPENSATING TAX DEDUCTION

Category:	Citizen Benefits
Brief Description:	<p>Gross receipts from selling tangible personal property to 501(c)(3) organizations for use in tax-exempt functions, and gross receipts from the sale of construction materials to a 501(c)(3) organization formed for the purpose of providing homeownership opportunities to low-income families are deductible from gross receipts and governmental gross receipts tax.</p> <p>Also, out-of-state purchases of an organization that was granted a tax exemption under Section 501(c)(3) or Section 501(c)(6) of the U.S. Internal Revenue Code are exempt from the Compensating Tax so long as the receipts are not derived from an unrelated trade or business as defined in Section 513 of the U.S. Internal Revenue Code.</p>
Statutory Basis:	7-9-60 and 7-9-15 NMSA 1978
Intended Purpose:	To decrease the operating costs of nonprofit entities that provide homeownership opportunities to low-income families.
History:	<p>The GRT deduction was originally enacted in 1953, amended in 1969, reenacted in 1970, and amended in 1992, 1995, 2001, 2007, 2018, and 2021.</p> <p>The 2021 amendment clarifies that, in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.</p> <p>The exemption from compensating tax was originally enacted in 1969 and amended in 1970, 1983, and 1990.</p>
Evaluation:	This tax expenditure may allow a greater number of low-income families to be served by nonprofits whose mission relates to low-income homeownership, or for enhanced services to be offered.
Recommendations:	None.
Fiscal Impact:	Unknown.


SALES TO STATE-CHARTERED CREDIT UNIONS GRT AND GGRT DEDUCTION

- Category:** Economic Development
- Brief Description:** Receipts from selling tangible personal property to state-chartered credit unions are deductible from gross receipts to the same extent that receipts from the sale of tangible personal property to federal credit unions are deductible.
- Statutory Basis:** 7-9-61.2 NMSA 1978
- Intended Purpose:** To provide equitable tax treatment between federally-chartered and state-chartered credit unions and treat state-chartered credit unions as an instrumentality of state government.
- History:** Originally enacted in 2000.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  4 - According to the National Credit Union Administration (NCUA), New Mexico had 18 state-chartered credit unions in 2025. NCUA also published a document on operating costs for state-chartered credit unions. From this document, the tangible property costs estimate is 50% of total operating costs. The estimated tangible property deduction is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:


Sales to State-Chartered Credit Unions GRT and GGRT Deduction	Fiscal Year	2023	2024	2025
	Credit Unions	18	18	18
	State General Fund Expenditure (thousands)	\$1,748	\$2,102	\$2,362
	Local Government Expenditure (thousands)	\$1,132	\$1,378	\$1,548

SCHOOL SUPPLIES PURCHASED BY A PUBLIC SCHOOL TEACHER DEDUCTION FROM PIT

- Category:** Citizen Benefits
- Brief Description:** A taxpayer who is not a dependent of another individual and is a public school teacher may claim a deduction from net income in an amount equal to the costs of school supplies purchased by the public-school teacher, not to exceed \$500 for tax year 2024 and \$1,000 for tax years 2025 through 2028.
- Statutory Basis:** 7-2-41 NMSA 1978
- Intended Purpose:** To reduce the tax liability and increase disposable income of public school teachers who use personal funds to purchase school supplies.
- History:** Originally enacted in 2024 and amended in 2025.
- Evaluation:** Nationwide, 94% of teachers spend their own money to support the needs of their classroom by buying supplies. According to the National Center for Education Statistics, New Mexico schoolteachers spent an average of \$494 and 8.5% spent more than \$1,000 in the 2020 to 2021 school year.
- This deduction falls short of compensating teachers for their expenses. A teacher who spent \$500 in tax year 2024 would enjoy an estimated tax liability reduction of \$15, rising to \$30 for tax year 2025. For FY 2025, the average tax relief provided was \$19 per taxpayer.
- Recommendation:** Consider alleviating the need for teachers to purchase school supplies through the public school funding formula.
- Reliability Factor:**  2 – This deduction is separately reported. Some estimation is required.
- Fiscal Impact:**

School Supplies Purchased by a Public-School Teacher Deduction from PIT	Tax Year (Calendar)	2024
	Claims	12,251
	Expenditure (thousands)	\$233
	Fiscal Year	2025
	Claims	12,157
	Expenditure (thousands)	\$232

SMALL BUSINESS SATURDAY THANKSGIVING WEEKEND GRT DEDUCTION

- Category:** Economic Development
- Brief Description:** Receipts from retail sales of specified tangible personal property are deductible from GRT on the first Saturday after Thanksgiving. The deduction may be claimed on sales of property with a value of less than \$500. Qualified retailers must be a business in New Mexico and have employed no more than 10 employees at any one time in the previous fiscal year.
- Statutory Basis:** 7-9-116 NMSA 1978
- Intended Purpose:** To reduce the cost of retail purchases and encourage purchases at small businesses in New Mexico.
- History:** Originally enacted in 2018 and amended in 2020 and 2025. Amended in 2020 to extend the sunset of the deduction from July 1, 2020, to July 1, 2025. The 2025 amendment revised reporting requirements.
- Evaluation:** This deduction was similar to the back-to-school tax-free weekend. This deduction, however, restricts purchases to those made at small businesses and is believed to have lower usage. While the deduction may result in a small increase in purchases at small businesses during the popular holiday shopping season, the overall benefit is limited. The number of businesses that claimed the deduction has increased since FY21.
- Recommendations:** None.
- Reliability Factor:**  2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under the correct deduction code. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions.
- Fiscal Impact:** **This is the last year this expenditure is reported.**

	Fiscal Year	2023	2024	2025
	Taxpayers	195	319	271
Small Business Thanksgiving Saturday GRT Deduction	State General Fund Expenditure (thousands)	\$161	\$542	\$518
	Local Government Expenditure (thousands)	\$103	\$361	\$345

SOCIAL SECURITY INCOME EXEMPTION FROM PIT

Category: Citizen Benefits

Brief Description: An individual may claim an exemption from PIT starting in tax year 2022 in an amount equal to the social security income included in adjusted gross income as determined on a taxpayer's federal income tax return and includable except for this exemption in net income. The individual also must have an adjusted gross income that does not exceed the following thresholds by filing type:

- (1) For married individuals filing separate returns, \$75,000;
- (2) For heads of household, surviving spouses, and married individuals filing joint returns, \$150,000;
- (3) For single individuals, \$100,000.


Statutory Basis: 7-2-5.14 NMSA 1978

Intended Purpose: To ease the tax burden on low and middle-income individuals who rely heavily on social security retirement income and to encourage retirees to reside in New Mexico.

History: Originally enacted in 2022.

Evaluation: None.


Recommendation: None.

Reliability Factor:  2 – This exemption is separately reported. Some estimation is required. Note: The number of claims is based on tax returns. A joint return may have 2 spouses claiming the exemption.

Fiscal Impact:

Social Security Income Exemption	Tax Year (Calendar)	2022	2023	2024
	Claims	134,093	138,378	131,570
	Expenditure (thousands)	\$80,216	\$88,240	\$86,362
	Fiscal Year	2023	2024	2025
	Claims	123,266	139,147	141,274
	Expenditure (thousands)	\$73,823	\$88,523	\$92,301


SOLAR ENERGY SYSTEMS GRT DEDUCTION

- Category:** Environment, Conservation & Renewable Energy
- Brief Description:** Receipts from the sale or installation of solar energy systems, including solar panels, solar hot water heaters, and trombe walls, are deductible from gross receipts if the equipment is used to generate power for on-site consumption.
- Statutory Basis:** 7-9-112 NMSA 1978
- Intended Purpose:** To incentivize consumer installation and use of solar energy systems.
- History:** Originally enacted in 2007.
- Evaluation:** The steady growth in Tax & Rev's estimated deduction utilization suggests that this deduction continues to benefit solar purchasers.
- Recommendations:** None.
- Reliability Factor:**  3 - Solar panel installation is one of the 47 subcategories in NAICS code 238210 Electrical Contractors and Other Wiring Installation Contractors. Data from Tax & Rev's RP-80 Report was used to estimate the deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Solar Energy Systems Deduction	State General Fund Expenditure (thousands)	\$2,029	\$2,587	\$2,335
	Local Government Expenditure (thousands)	\$1,351	\$1,723	\$1,555

SOLAR MARKET DEVELOPMENT CREDIT AGAINST PIT

- Category:** Environment, Conservation & Renewable Energy
- Brief Description:** Taxpayers who purchase and install a solar thermal system or a photovoltaic system in a residence, business, or agricultural enterprise owned in New Mexico may apply for a solar market development tax credit of up to 10% of the purchase and installation cost of the system against PIT. This purchase must have been made between January 1, 2006, and December 31, 2016.
- The credit shall not exceed \$9,000. The maximum aggregate amount of credits allowed in any tax year is \$2 million for solar thermal systems and \$3 million for photovoltaic systems. The credit is not refundable but may be carried forward for up to 10 years.
- Statutory Basis:** 7-2-18.14 NMSA 1978
- Intended Purpose:** To incentivize growth of the solar industry by subsidizing a portion of the purchase and installation costs of solar systems in New Mexico.
- History:** Originally enacted in 2006 and amended in 2009 to reduce the credit from 30% to 10% and remove the cumulative federal and state cap of 30%. Repealed in 2025 with an effective date of July 1, 2025.
- Evaluation:** None.
- Recommendations:** None.
- Reliability Factor:**  1 - This credit is separately reported. No estimation is required.
- Fiscal Impact:** This credit is repealed effective July 1, 2025. The fiscal impacts below represent credits that have been carried forward on systems purchased by December 31, 2016. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

Solar Market Development Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	19	10	6
	Expenditure (thousands)	\$14	\$5	\$4
	Fiscal Year	2023	2024	2025
	Claims	26	11	10
	Expenditure (thousands)	\$13	\$10	\$6

NEW SOLAR MARKET DEVELOPMENT CREDIT AGAINST PIT

Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>Taxpayers who purchase and install a solar thermal system or a photovoltaic system in a residence, business, or agricultural enterprise in New Mexico owned by the taxpayer may apply for a new solar market development tax credit of no more than \$6,000 per taxpayer per taxable year. The purchase and installation must be made from March 1, 2020, but before January 1, 2032. Taxpayers receive certification for a credit from EMNRD.</p> <p>The maximum annual aggregate amount of credits that may be certified was \$12 million for tax years 2020 through 2023, with an additional \$20 million that was available to be certified after that aggregate annual limit was met. The aggregate annual cap increased to \$30 million per year for tax years 2024 through 2031. For tax years after 2021, the credit is refundable and transferable for the full value of the credit.</p>
Statutory Basis:	7-2-18.31 NMSA 1978
Intended Purpose:	To encourage the installation of solar thermal and photovoltaic systems residences, businesses and agricultural enterprises.
History:	Originally enacted in 2020 and amended in 2022, 2024 and 2025. The 2022 amendment extended the sunset, increased the annual credit cap, and made the credit refundable and transferable. The 2024 amendment increased the aggregate cap for tax years 2024 through 2031 to \$30 million. The 2024 amendment also provided a one-time \$20 million above the cap amounts for tax years 2020 through 2023 for taxpayers denied a credit certification due to the aggregate cap amount being reached. This \$20 million additional credit must be claimed in tax year 2023. The 2024 amendment also extended eligibility to solar systems installed on a federally recognized Indian nation, tribe or pueblo land.
Evaluation:	<p>This credit has exceeded the number of claims seen in the original Solar Market Development Credit. This is in part due to the aggregate cap being increased. Tax years after 2021 are now fully refundable. To determine the extent that this credit has encouraged installation of solar thermal and photovoltaic systems above the current market trend, other supplementary data would be needed.</p> <p>For a recent study on solar photovoltaic adoption, “Equity in Solar PV Adoption in New Mexico,” by Yuting Yang and Jiaqing Zhao at the University of New Mexico, July 2024, see: https://econ.unm.edu/what-we-do/community-service/2_solar_equity_yang_final-report.pdf</p>
Recommendations:	None.

Reliability Factor:  1 – This credit is separately reported. No estimation is required.

Fiscal Impact:

New Solar Market Development Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	3,417	4,535	2,352
	Expenditure (thousands)	\$8,955	\$12,804	\$6,072
	Fiscal Year	2023	2024	2025
	Claims	3,302	3,837	3,431
	Expenditure (thousands)	\$8,556	\$10,336	\$9,447


SPACEPORT-RELATED ACTIVITIES GRT DEDUCTION

Category:	Highly Specialized Industry
Brief Description:	Deductible from GRT are receipts from: <ol style="list-style-type: none">(1) launching, operating, or recovering space vehicles or payloads;(2) preparing a payload;(3) operating a spaceport; or(4) providing research, development, testing, and evaluation services for the U.S. Air Force Operationally Responsive Space Program.
Statutory Basis:	7-9-54.2 NMSA 1978
Intended Purpose:	To encourage the development of the space industry in New Mexico.
History:	Originally enacted in 1995 and amended in 1997, 2001, 2003, and 2007. The 2007 amendment added a deduction for receipts from the provision of research, development, testing, and evaluation services for the U.S. Air Force Operationally Responsible Space Program.
Evaluation:	According to publicly available information, several out-of-state companies are conducting launches in New Mexico. Spaceport America also hosts a collegiate annual competition in which students from across the world launch rockets from Spaceport America. Virgin Galactic moved its headquarters to the state. Virgin Galactic's first crewed flight from Spaceport America was in May 2021, and its first commercial flight with paying passengers took place in June 2023.
Recommendations:	Section 7-9-54.2 NMSA 1978's GRT deduction currently allows receipts from selling space flight tickets to be deducted because those receipts are considered to be received from "operating" space vehicles. Tax & Rev is not aware of a policy consideration that would support excluding receipts from space flight ticket sales from the GRT. Space flight tickets may be considered a luxury good, and purchasers of that good have the ability to contribute to the tax base. Consider amending Section 7-9-54.2 NMSA 1978 to narrow the deduction and ensure the GRT is imposed on future space flight ticket sales.
Reliability Factor:	No data is available to estimate the fiscal impact. Many companies involved in this business could be described as having irregular cash flow. Without a reporting requirement, it is difficult to ascertain which companies qualify and how much of the deduction is being applied.
Fiscal Impact:	Unknown.

SPACE-RELATED TEST ARTICLES DEDUCTION FROM COMPENSATING TAX

Category:	Highly Specialized Industry
Brief Description:	Deduction of the value of space-related test articles used in New Mexico exclusively for research or testing, or placed on public display after use, or stored for future use. The value of equipment and materials used in New Mexico for research or testing to support the research or testing of space-related test articles, or for storage of such equipment or materials to support the research and testing of space-related test articles, is deductible for computing compensating tax due.
Statutory Basis:	7-9-54.4 NMSA 1978
Intended Purpose:	Incentivize the development of the space industry in New Mexico.
History:	Originally enacted in 2003.
Evaluation:	According to publicly available information, there are several companies conducting tests in New Mexico. These companies hold proprietary information in a new and emerging industry which makes capturing accurate data very difficult.
Recommendations:	None.
Reliability Factor:	No data are available to estimate the fiscal impact. Companies in this industry belong to a highly-specialized niche that holds proprietary information, making it difficult to find external sources of information. Without a reporting requirement, it is difficult to ascertain which companies qualify and how much of the deduction is being applied.
Fiscal Impact:	Unknown.

SPECIAL NEEDS ADOPTED CHILD CREDIT AGAINST PIT

- Category:** Citizen Benefits
- Brief Description:** A taxpayer who has adopted a special needs child (an individual certified as a "difficult to place child") may claim a credit against PIT for \$1,500. The credit is refundable.
- Statutory Basis:** 7-2-18.16 NMSA 1978
- Intended Purpose:** To provide tax relief for those who adopt a special needs child.
- History:** Originally enacted in 2007 and amended in 2024 and 2025. The 2024 amendment increased the credit from \$1,000 to \$1,500 and required Tax & Rev to report annually on the credit. The 2024 amendment will impact expenditures beginning fiscal year 2025. The 2025 amendment removed obsolete language and amended reporting requirements.
- Evaluation:** None.
- Recommendations:** Since the credit amount is not indexed to inflation, the taxpayer's benefit will diminish over time. Consider the indexing of the credit amount to account for inflation.
- Reliability Factor:**  1 - This credit is separately reported. No estimation is required.
- Fiscal Impact:**

Credit, Special Needs Adopted Child	Tax Year (Calendar)	2022	2023	2024
	Claims	912	839	751
	Expenditure (thousands)	\$1,604	\$1,465	\$1,967
	Fiscal Year	2023	2024	2025
	Claims	880	849	883
	Expenditure (thousands)	\$1,513	\$1,506	\$2,215

SUPPLEMENTAL INCOME TAX REBATE 2021 TAX YEAR FILING

Category: Citizen Benefits

Brief Description: Resident taxpayers who are not dependents of another taxpayer were eligible for two supplemental income tax rebates in tax year 2021. Each of the two rebates was \$500 for heads of household, surviving spouses, and married individuals filing jointly, and \$250 for single individuals and married individuals filing separately.


Statutory Basis: 7-2-7.5 NMSA 1978

Intended Purpose: To provide temporary economic relief to New Mexico residents due to inflationary price increases.

History: Originally enacted in 2022.

Evaluation: None.

Recommendation: None.

Reliability Factor:  1 – This rebate was separately issued, and no estimation is required.


Fiscal Impact:

	Tax Year (Calendar)	2021	2022	2023	2024
	2021 Supplemental Income Tax Rebate	Claims	960,057	NA	NA
Expenditure (thousands)		\$675,475			
Fiscal Year		2022	2023	2024	2025
Claims		873,926	68,725	16,451	918
Expenditure (thousands)		\$614,493	\$57,360	\$2,728	\$871

SUSTAINABLE BUILDING CREDIT AGAINST PIT AND CIT

Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>Until December 31, 2016, a taxpayer could claim a credit against PIT and CIT for investments in constructing or renovating sustainable residential or commercial buildings that meet specific “green” building standards. Taxpayers received certification of their project for a credit from EMNRD.</p> <p>The amount of the credit that could be claimed ranged from \$0.70 to \$9.00 per square foot depending on the square footage of the building, the type of building, and the certification level the building has achieved in the LEED green building rating system.</p> <p>For credits less than \$100,000, a maximum of \$25,000 would be applied against the taxpayer’s liability each year as needed; for credits of \$100,000 and more, a maximum of 25% would be applied against the taxpayer’s liability each year.</p> <p>The credit was not refundable but was transferable and could be carried forward up to seven years.</p>
Statutory Basis:	7-2-18.19 and 7-2A-21 NMSA 1978
Intended Purpose:	To encourage the construction of sustainable buildings and the renovation of existing buildings into sustainable buildings.
History:	Originally enacted in 2007, amended in 2009 and 2013, and repealed in 2025. The 2013 amendment extended the expiration date, reduced the aggregate cap for commercial buildings from \$5 million to \$1 million and from \$5 million to \$4 million for residential buildings, and established thresholds for how much of the credit can be claimed in each year. Repealed in 2025 with an effective date of July 1, 2025.
Evaluation:	<p>According to EMNRD, the sustainable building tax credit reached its cap in FY2015 and FY2016.</p> <p>Tax & Rev used data provided by EMNRD in thousands of British Thermal Units (MMBTUs) and the Public Service Company of New Mexico’s monthly rates per kilowatt-hour to estimate the energy savings resulting from the credit. In FY2014, the total savings for residential homes was about \$570,000. The future energy savings projections over 10 years were estimated to be \$27 million, compared to \$18 million in tax credits. Total savings for commercial buildings over 10 years were estimated at \$30 million, compared to \$2.2 million in tax credits. It should be noted that the monetized energy savings are annual savings and do not project or consider the cumulative energy savings over the useful life of the properties.</p>

Recommendations: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required. Given the seven-year carry forward period for claiming credits under the expired credit, tax liabilities will be reduced under this program through fiscal year 2023.

Fiscal Impact: This credit is repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

Sustainable Building Credit (expired)	Tax Year (Calendar)	2022	2023	2024
	Claims	5	0	0
	Expenditure (thousands)	\$6	\$0	\$0
	Fiscal Year	2023	2024	2025
	Claims	126	65	13
	Expenditure (thousands)	\$976	\$629	\$128

2015 SUSTAINABLE BUILDING CREDIT AGAINST PIT AND CIT

Category:	Environment, Conservation & Renewable Energy
Brief Description:	<p>Until December 31, 2024, a taxpayer could claim a credit against PIT and CIT for investments in constructing a sustainable building, renovating an existing building into a sustainable building, or installing manufactured housing that is a sustainable building if the project was completed prior to April 1, 2023, and met specific “green” building standards. Taxpayers received certification of their project for the credit from EMNRD.</p> <p>The amount of the credit that could be claimed ranged from \$0.30 to \$6.50 per square foot depending on the square footage of the building, the type of building, and the certification level the building has achieved in the LEED green building rating system.</p> <p>For credits less than \$100,000, a maximum of \$25,000 would be applied against the taxpayer’s liability each year as needed; for credits of \$100,000 and more, a maximum of 25% would be applied against the taxpayer’s liability each year.</p> <p>For each calendar year, EMNRD may annually certify up to:</p> <ul style="list-style-type: none">(1) \$1,250,000 for commercial building;(2) \$3,375,000 for residential building;(3) \$375,000 for manufactured housing. <p>Should any one category of building has not meet its annual cap, EMNRD could transfer the excess to a different category. The overall annual cap between all three categories could not exceed \$5,000,000.</p> <p>The credit is not refundable but is transferable and could be carried forward up to seven years.</p>
Statutory Basis:	7-2-18.29 and 7-2A-28 NMSA 1978
Intended Purpose:	To encourage the construction of sustainable buildings and the renovation of existing buildings into sustainable buildings.
History:	<p>Originally enacted in 2015 and amended in 2021 and 2025.</p> <p>The 2015 legislation replaced the original sustainable energy credit, which sunset on December 31, 2016. The 2015 credit lowered the qualified square footage and credit amount for residential buildings, and reinstated a per-credit (as opposed to an aggregated credit) methodology for determining annualized credit claim amounts.</p>

While also creating a new 2021 credit, the 2021 amendment changed the name of this credit from 'new' to '2015' sustainable building credit. The amendment also shortened the eligibility period from December 21, 2026, to December 31, 2024. The 2025 amendment simplified the carry forward to up to 7 years.

Evaluation: The credit appears to be meeting the purpose of encouraging the construction of sustainable buildings and the renovation of existing buildings to meet sustainable building criteria. As a replacement of the original sustainable building credit, this credit has maintained a consistent range of claimants of between 550 and 750 every tax year. The credit has yet to reach the overall annual \$5,000,000 cap and has room for more projects.

Recommendations: Repeal, as this credit applied to investments made through December 31, 2024. The 2021 Sustainable Building Tax Credit, detailed below, remains in effect.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

2015 Sustainable Building Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	687	1,087	51
	Expenditure (thousands)	\$3,747	\$6,001	\$225
	Fiscal Year	2023	2024	2025
	Claims	825	715	1,115
	Expenditure (thousands)	\$4,789	\$3,790	\$6,156

2021 SUSTAINABLE BUILDING CREDIT AGAINST PIT AND CIT

Category: Environment, Conservation & Renewable Energy

Brief Description: For taxable years beginning January 1, 2021 and before January 1, 2028, a taxpayer may claim a credit against PIT and CIT for investments in constructing a sustainable building, renovating an existing building into a sustainable building, installing manufactured housing that is a sustainable building, or installing energy-conserving products to existing building in New Mexico if they meet specific “green” building standards and for certain projects if they are completed on or after January 1, 2022. Taxpayers receive certification of their project for the credit from EMNRD.

The amount of the credit that may be claimed ranges from \$0.10 to \$5.50 per square foot depending on the square footage of the building, the type of building, and the certification level the building has achieved in the LEED green building rating system, or if the building is fully electric or zero carbon, energy, waste or water certified. Additional credits are available for energy conserving products installed in the building that range from \$350 to \$3,000.

For tax years 2021 to 2024, credits less than \$100,000, a maximum of \$25,000 will be applied against the taxpayer’s liability each year as needed; for credits of \$100,000 or more, a maximum of 25% will be applied against the taxpayer’s liability each year.

In For annual calendar year, EMNRD may certify up to:

- (1) \$1,000,000 for the construction of new sustainable commercial buildings;
- (2) \$2,000,000 for the construction of new sustainable residential buildings that are not manufactured housing;
- (3) \$250,000 for the construction of new sustainable residential buildings that are manufactured housing;
- (4) \$1,000,000 for the renovation of large commercial buildings;
- (5) \$2,900,000 for the installation of energy-conserving products in existing commercial building.

Should any one category above not meet its annual cap, EMNRD may transfer the excess to a different category that has applications exceeding the cap.

The credit is refundable for qualified low-income taxpayers. For those that do not qualify for a refund, it may be carried forward up to seven years. The credit is transferable. The credit may not be claimed on the same sustainable building for which a 2015 sustainable building credit has been issued.

Select definitions:

(1) “low-income taxpayer” is defined as a taxpayer with an annual household adjusted gross income equal to or less than two hundred percent of the federal poverty level guidelines published by the United States Department of Health and Human Services;

(2) “manufactured housing” means a multisectioned home that is:

- a. A manufactured home or modular home;
- b. A single-family dwelling with a total heated area of at least 36 by 24 feet and a total area of at least 864 square feet;
- c. Constructed in a factory meeting the standards of the United States Department of Housing and Urban Development, the National Manufactured Housing Construction and Safety Standards Act of 1974 and federal or New Mexico construction codes;
- d. Installed consistent with the New Mexico Manufactured Housing Act.

Statutory Basis: 7-2-18.32 and 7-2A-28.1 NMSA 1978


Intended Purpose: To encourage the construction of sustainable buildings and the renovation of existing buildings into sustainable buildings.

History: Originally enacted in 2021, amended in 2022 and in 2025.

The 2021 legislation enacted the credit to replace the 2015 sustainable building credit. The 2021 credit has an increased cap of \$7,150,000. The 2022 amendment shortened the claiming period from January 1, 2030 to prior to January 1, 2028 and added that certain projects need to be completed on or after January 1, 2022. The 2025 amendment simplified the refundability and carry forward to up to 7 years and allows for taxpayers with leaseholds on tribal land to qualify. This amendment also removed the stipulation that credits of less than \$100,000, a maximum of \$25,000 will be applied against the taxpayer’s annual liability and for credits of \$100,000 or more, a maximum of 25% will be applied against the taxpayer’s liability each year.

Evaluation: None.

Recommendations: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

2021 Sustainable Building Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	21	335	198
	Expenditure (thousands)	\$62	\$1,655	\$269
	Fiscal Year	2023	2024	2025
	Claims	5	129	423
	Expenditure (thousands)	\$5	\$250	\$1,735

TAX STAMPS RATE DIFFERENTIAL IN CIGARETTE TAX

Category: Highly Specialized Industry

Brief Description: Tax & Rev sells tax stamps at face value to distributors of cigarettes. If the face value of tax stamps sold in a single sale is less than \$1,000, a discount of 0.46% is applied for the first \$30,000 of stamps purchased in one calendar month. A 0.36% discount is applied for the next \$30,000 of stamps purchased in that month, and a 0.22% discount is applied for any stamps purchased in excess of \$60,000.


Statutory Basis: 7-12-7(D) NMSA 1978

Intended Purpose: Presumably, this provides a scaled increase in the price of stamps. Rather than providing for a floor with increases at certain thresholds, it provides a ceiling with decreases at certain thresholds. This meets the definition of a tax expenditure but the intent to make it one is unclear.

History: Originally enacted in 1943 and amended in 1947, 1949, 1953, 1963, 1968, 1970, 1971, 1988, 2006, 2010, and 2019. The 2010 and 2019 amendments reduced the discount percentages.

Evaluation: None.

Recommendations: None.

Reliability Factor:  1 - The discounted amounts are reported separately. No estimation is required.

Fiscal Impact:

Tax Stamps Rate Differential in Cigarette Tax	Fiscal Year	2023	2024	2025
	Taxpayers	17	15	15
	Expenditure (thousands)	\$184	\$161	\$158

TECHNOLOGY JOBS AND RESEARCH AND DEVELOPMENT CREDIT AGAINST GRT, COMPENSATING TAX, WITHHOLDING TAX, PIT, OR CIT

Category:	Economic Development
Brief Description:	<p>A taxpayer that conducts qualified research and development at a facility in New Mexico, except at a facility operated for the U.S. government, may claim a basic credit equal to 5% (4% before January 1, 2016) of qualified expenditures against the state portion of GRT, compensating tax, or withholding tax. The credit is doubled to 10% when the qualified facility is in a rural area.</p> <p>A taxpayer may qualify for an additional 5% credit against PIT and CIT liability by raising its in-state payroll by \$75,000 for every \$1 million in qualified expenditures claimed. This credit doubles if the qualified facility is in a rural area.</p> <p>A 2015 amendment excluded local option gross receipts tax from the taxes against which the basic credit may be claimed.</p> <p>Starting January 1, 2016, the credit may be refundable or partially refundable. If the taxpayer's total qualified expenditures for the taxable year for which the claim is made are less than \$3 million, the excess additional credit shall be refunded to the taxpayer. If expenditures are between \$3 million and \$4 million, two-thirds of the credit is refundable. If expenditures are \$4 to \$5 million, the one-third of the credit is refundable.</p> <p>Any amount of the approved basic credit or additional credit not claimed against the taxpayer's compensating tax, withholding tax, gross receipts tax, excluding local option gross receipts tax, income tax, or corporate income tax due may be carried forward for up to three years from the date of the original claim.</p>
Statutory Basis:	7-9F-1 <i>et seq.</i> NMSA 1978
Intended Purpose:	To incentivize the growth of technology-based businesses engaging in research, development, and experimentation by providing a favorable tax climate and to promote increased employment and higher wages in industries in New Mexico.
History:	Originally enacted in 2000 and amended in 2015, 2019 and 2025. The 2015 amendment created the Technology Jobs and Research and Development Tax Credit Act from the Technology Jobs Tax Credit. Section 7-9F-9 NMSA 1978 was amended to set forth the mechanism for claiming the basic credit, and to exclude local option gross receipts tax from the taxes that the basic credit may be claimed against. A taxpayer reporting requirement was also created.

The 2019 amendment revised the definition of "local option gross receipts tax" to use the definition of local taxes as used in acts authorizing counties or municipalities to impose taxes on gross receipts. The 2025 amendment repealed subsection 7-9F-12 NMSA 1978, relating to reporting.

Evaluation:

Investment in research and development is a major driving force for long-term technological change, innovation and economic growth. This tax credit aims to incentivize such R&D investment. In the last three fiscal years, the expenditure associated with this credit has averaged \$4.9 million, with an average of 280 taxpayers claiming the credit. Of these taxpayers, about 13% also claim the additional credit, averaging \$1.5 million annually. Economic literature on R&D tax credits suggests that such incentives increase research and development spending. In line with that expectation, New Mexico has seen exceptional growth in this credit expenditure. It is, however, difficult to gauge the extent to which this increased spending leads to increased innovation and technological change.

Recommendations:

It is recommended that GRT tax expenditures be structured as deductions for ease of administration and taxpayer compliance, as credits are more complicated to administer than deductions.

Reliability Factor:



1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

	Tax Year	2022	2023	2024
Credit, Tech Jobs and R&D -- Total	Claims	356	312	127
	State General Expenditure (thousands)	\$9,591	\$7,744	\$916
	Fiscal Year	2023	2024	2025
Credit, Tech Jobs and R&D -- Total	Claims	326	404	379
	State General Expenditure (thousands)	\$6,038	\$12,272	\$6,531
Credit, Tech Jobs and R&D -- Basic	Claims	294	357	331
	State General Expenditure (thousands)	\$4,449	\$11,510	\$3,815
Credit, Tech Jobs and R&D -- Additional	Claims	32	47	48
	State General Expenditure (thousands)	\$1,590	\$762	\$2,716

TECHNOLOGY READINESS CREDIT AGAINST GRT

Category: Economic Development

Brief Description: National laboratories that provide technology readiness assistance to businesses may receive a credit against state GRT of up to \$150,000 per business for qualified expenditures, and cannot be claimed against any local option gross receipts tax liability. The credit has an annual cap per national laboratory of \$1,000,000. Technology readiness assistance provided to a business by a national laboratory with the intent to help the business' technology achieve maturation. The credit is not refundable but may be carried forward indefinitely. The credit is available for taxable periods prior to July 1, 2027.


Statutory Basis: 7-9-96.3 NMSA 1978

Intended Purpose: To assist businesses in their achievement of maturation of the technologies developed at New Mexico national laboratories, and to increase economic development in the State.

History: Originally enacted in 2020 and amended in 2022. The 2022 amendment extended the sunset date and changed the funding mechanism for the credit.

Evaluation: None.

Recommendations: None.

Reliability Factor:  1 – The credit is separately reported.

Fiscal Impact: While only two taxpayers may claim this credit, the data is not redacted due to the statutory requirement that the national laboratories submit an annual report to the legislature disclosing this data.

Technology Readiness Credit against Credit	Tax Year (Calendar)	2022	2023	2024
	State General Fund Expenditure (thousands)	\$689	\$955	\$1,000
	Fiscal Year	2022	2023	2024
	State General Fund Expenditure (thousands)	\$1,040	\$93	\$1,955

TEST ARTICLES DEDUCTION FROM COMPENSATING TAX

Category:	Highly Specialized Industry
Brief Description:	The value of test articles upon which research or testing is conducted in New Mexico pursuant to a contract with the U.S. Department of Defense is deductible from the compensating tax due. The deduction does not apply to the value of property purchased by a prime contractor operating a facility designated as a national laboratory by an act of Congress.
Statutory Basis:	7-9-54.5 NMSA 1978
Intended Purpose:	To incentivize the retention of U.S. Air Force bases in New Mexico.
History:	Originally enacted in 2004.
Evaluation:	The deduction is determined to be effective as New Mexico has retained its air force bases while others outside of the state have been closed due to consolidation.
Recommendations:	None.
Reliability Factor:	No data are available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

TIMBER RATE DIFFERENTIAL FROM PROCESSORS TAX

Category: Highly Specialized Industry

Brief Description: A processor of timber in New Mexico is required to pay a Processors Tax of 0.375%, a preferable rate compared to the base Processors Tax rate of 0.75%.


Statutory Basis: 7-25-5A(2) NMSA 1978

Intended Purpose: Presumably to incentivize the processing of timber.

History: Originally enacted in 1985 and amended in 1999.

Evaluation: The rate differential may not be achieving its purpose as processing activity has decreased over time.

Recommendation: None.

Reliability Factor:  1 – This expenditure is calculated directly using taxpayer data. No estimation is required. While fewer than three taxpayers have reported processing of timber, the data may be reported pursuant to Section 7-1-8.3(B) NMSA 1978.

Fiscal Impact:

Timber Rate Differential from Processors Tax	Fiscal Year	2023	2024	2025
	Taxpayers	2	2	1
	Expenditure (thousands)	\$0.5	\$1.5	\$0.2

UNREIMBURSED OR UNCOMPENSATED MEDICAL CARE EXPENSES CREDIT FROM PIT

Category: Citizen Benefits

Brief Description: A taxpayer who is 65 years of age or older may claim a credit of \$2,800 if the taxpayer's medical care expenses paid by the taxpayer are \$28,000 or more, and if those expenses are not reimbursed or compensated for by insurance or otherwise. This credit is refundable.


Statutory Basis: 7-2-18.13 NMSA 1978

Intended Purpose: To reduce the burden of out-of-pocket costs of medical care.

History: Originally enacted in 2005.

Evaluation: This is one of several citizen benefit expenditures related to unreimbursed medical expenses. Because a taxpayer must have qualifying expenses over \$28,000 per year, this credit is restricted to taxpayers who incur significant unreimbursed or uncompensated medical care expenses. All claimants are aged 65 and older, a population that is often on a fixed income. Claims for this credit may increase as demographics shift to an older population and as inflation causes more individuals to surpass \$28,000 per year in qualified expenses. The degree to which New Mexico residents over 65 are covered by high-quality insurance, including Medicare and supplemental Medicare plans, will also impact future expenditures.

Recommendations: None.

Reliability Factor:  1 - The expense is calculated directly from taxpayer data. No estimation is required.

Fiscal Impact:

Unreimbursed Medical Expenses Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	4,720	5,538	5,154
	Expenditure (thousands)	\$13,161	\$15,442	\$14,386
	Fiscal Year	2023	2024	2025
	Claims	4,629	5,612	6,074
	Expenditure (thousands)	\$12,914	\$15,651	\$16,950

UNREIMBURSED OR UNCOMPENSATED MEDICAL CARE EXPENSES DEDUCTION FROM PIT

Category: Citizen Benefits

Brief Description: Through tax year 2024, a taxpayer may claim a deduction from net income in an amount determined from medical care expenses paid during the tax year for medical care of the taxpayer, the taxpayer’s spouse or dependent(s) if those expenses were not reimbursed or compensated by insurance or otherwise. The deduction amount is based on a percentage of applicable medical expenses during the taxable year and the this percentage is scaled by adjusted gross income. For all filing statuses, 10, 15, and 25 percent are the allowable percentages based on adjusted gross income.


Statutory Basis: 7-2-37 NMSA 1978

Intended Purpose: To reduce the burden of out-of-pocket costs of medical care.

History: Originally enacted in 2015. The deduction sunsets as of January 1, 2025.

Evaluation: This is one of several citizen benefit expenditures related to unreimbursed medical expenses. This deduction is available to all taxpayers, regardless of age, income, or amount of medical expenditures, subject to percentages determined by adjusted gross income thresholds. On average, approximately 30% of taxpayers claim this deduction each fiscal year.


Recommendations: None.

Reliability Factor:  2 – This expenditure is calculated directly using taxpayer data. Some estimation is required. This deduction sunsets January 1, 2025.

Fiscal Impact:

Unreimbursed Medical Expenses Deduction	Tax Year (Calendar)	2022	2023	2024
	Claims	320,060	321,856	309,258
	Expenditure (thousands)	\$5,634	\$5,822	\$5,656
	Fiscal Year	2023	2024	2025
	Claims	323,770	329,019	338,947
	Expenditure (thousands)	\$5,694	\$5,928	\$6,276

UNREIMBURSED OR UNCOMPENSATED MEDICAL CARE EXPENSES EXEMPTION FROM PIT

- Category:** Citizen Benefits
- Brief Description:** Any individual who is 65 years or older may claim a \$3,000 exemption from net income for medical care expenses paid during the taxable year \$28,000 and are not reimbursed or compensated by insurance or otherwise. Medical expenses could be for the individual, the individual's spouse, or the individual's dependents.
- Statutory Basis:** 7-2-5.9 NMSA 1978
- Intended Purpose:** To reduce the burden of out-of-pocket costs of medical care.
- History:** This exemption was enacted in 2005.
- Evaluation:** This is one of several citizen benefit expenditures related to unreimbursed medical expenses. Because a taxpayer must have qualifying expenses over \$28,000 per year, this exemption is restricted to taxpayers who incur significant unreimbursed or uncompensated medical care expenses. All claimants are aged 65 and older, a population that is often on a fixed income. Claims for this exemption may increase as demographics shift to an older population and as inflation causes more individuals to surpass \$28,000 per year in qualified expenses. The degree to which New Mexico residents over 65 are covered by high quality insurance, including Medicare and supplemental Medicare plans, will also impact future expenditures.
- Recommendations:** None.
- Reliability Factor:**  2 - This expenditure is calculated directly using taxpayer data. Some estimation is required.


Fiscal Impact:

Exemption, Unreimbursed Medical Expenses	Tax Year (Calendar)	2022	2023	2024
	Claims	4,841	5,573	5,432
	Expenditure (thousands)	\$345	\$421	\$433
	Fiscal Year	2023	2024	2025
	Claims	4,728	5,589	6,401
	Expenditure (thousands)	\$345	\$422	\$496

URANIUM ENRICHMENT PLANT EQUIPMENT DEDUCTION FROM COMPENSATING TAX

Category:	Highly Specialized Industry
Brief Description:	The value of equipment and replacement parts for plant equipment may be deducted in computing compensating tax due if the taxpayer uses the equipment or replacement parts to enrich uranium in a uranium enrichment plant.
Statutory Basis:	7-9-78.1 NMSA 1978
Intended Purpose:	To incentivize uranium enrichment plants to locate in New Mexico.
History:	Originally enacted in 1999.
Evaluation:	Operating as intended. The only currently operating commercial enrichment facility in the United States opened in New Mexico a decade after this deduction was enacted.
Recommendations:	None.
Reliability Factor:	This deduction is not separately reported. No data are available to estimate the fiscal impact. If the deduction were separately reported, the data would likely remain redacted due to fewer than three taxpayers claiming the deduction.
Fiscal Impact:	Unknown.

URANIUM HEXAFLUORIDE AND URANIUM ENRICHMENT GRT DEDUCTION

Category:	Highly Specialized Industry
Brief Description:	Receipts from selling uranium hexafluoride and the services of uranium enrichment are deductible from gross receipts.
Statutory Basis:	7-9-90 NMSA 1978
Intended Purpose:	To incentivize the uranium hexafluoride industry and uranium enrichment plants to locate in New Mexico.
History:	Originally enacted in 1999 and amended in 2012 and 2025. The 2012 amendment expanded the deduction to include the sale of uranium hexafluoride. The 2025 amendment adjusted reporting requirements.
Evaluation:	The deduction is operating as intended. The only operating commercial uranium enrichment facility in the United States opened in New Mexico a decade after this deduction was enacted.
Recommendations:	None.
Reliability Factor:	 1 - This deduction is separately reported. No estimation is required.
Fiscal Impact:	Redacted in all years due to fewer than three taxpayers claiming the deduction.

VETERAN EXEMPTION FROM PROPERTY TAX

Category: Citizen Benefits

Brief Description: Property owned by a veteran, unmarried surviving spouse or held in trust by a veteran or the veteran’s unmarried surviving spouse is eligible for a \$4,000 property tax exemption for tax years 2006 through 2024, \$10,000 exemption for tax year 2025, and the exemption is adjusted for inflation for tax year 2026 and forward. The veteran or the veteran’s surviving spouse must be a New Mexico resident. The exemption is deducted from the taxable value of the property to determine the net taxable value of the property.

A “veteran” is an individual who has been honorably discharged from membership in the armed forces of the United States, and with exceptions, served in the armed forces of the United States on active duty continuously for 90 days. An individual who would otherwise meet the definition of veteran except for the 90 continuous days of service due to service-connected disablement is considered to meet the definition of a veteran.

An individual whose civilian service is recognized as service in the armed forces of the United States by federal law and who was issued a discharge certificate by a branch of the armed forces shall be considered to have served in the armed forces.


Statutory Basis: 7-37-5 NMSA 1978

Intended Purpose: To ease the tax burden of individuals who served in the armed forces.

History: Originally enacted in 1973 and amended in 1975, 1977, 1981, 1983, 1986, 1989, 1991, 1992, 2000, 2003, 2005 and 2025. The 2025 amendment implements a 2024 Constitutional amendment passed by the electorate increasing the exemption to \$10,000 for tax year 2025 and annually indexing the exemption to inflation thereafter.

Evaluation: None.

Recommendations: None.

Reliability Factor:  2 - The fiscal impact is based on the reported number of taxpayers granted the veteran exemption and the associated taxable value exempted in each county in annual County Assessor Evaluation Reports. The fiscal impact is rated a two as the exempted value by county is then multiplied by the weighted average residential mill rate for that county. The total fiscal impact is the sum of the county level estimates.

Fiscal Impact:

Fiscal impact is shared by various taxing authorities that impose a property tax. These include school districts, local governments, special districts and the State general obligation bond debt service fund. The 2025 amendment increasing the exemption to \$10,000 takes effect for tax year 2025. Prior to tax year 2025, the fiscal impacts below are based on a \$4,000 exemption.

Veteran Exemption from Property Tax	Tax Year	2021	2022	2023
	Claims	76,177	70,613	69,083
	Expenditure (thousands)	\$8,636	\$8,697	\$8,443

VETERANS' ORGANIZATION EXEMPTION FROM PROPERTY TAX

Category: Citizen Benefits

Brief Description: Property owned by a veterans' organization chartered by the United States congress and used for the primary benefit of veterans and their families are exempt from property taxation. Qualification for the exemption is done in collaboration between the Veterans' Services Department, county assessors, and the Taxation and Revenue Department., and once qualified, does not have to reapply for the exemption.


Statutory Basis: 7-37-5.3 NMSA 1978

Intended Purpose: To reduce the tax burden on organizations that contribute to the social and economic welfare of veterans and their families.

History: Originally enacted in 2011.

Evaluation: None.

Recommendations: None.

Reliability Factor:  2 - The fiscal impact is based on the reported number of taxpayers granted the veteran's organization exemption and the associated taxable value exempted in each county in annual County Assessor Evaluation Reports. The fiscal impact is rated a two as the exempted value by county is then multiplied by the weighted average residential mill rate for that county. The total fiscal impact is the sum of the county level estimates.

Fiscal Impact:

Veterans' Organization Exemption from Property Tax	Tax Year	2021	2022	2023
	Claims	19	35	38
	Expenditure (thousands)	\$72	\$82	\$97

WIND AND SOLAR GENERATION EQUIPMENT GRT DEDUCTION


Category:	Environment, Conservation & Renewable Energy
Brief Description:	Receipts from selling wind generation equipment, solar generation equipment, and energy storage equipment and related equipment to a federal or state government agency for the purpose of installing a wind or solar electric generation facility and associated storage capability are deductible from gross receipts.
Statutory Basis:	7-9-54.3 NMSA 1978
Intended Purpose:	To incentivize government entities to purchase wind and solar generation equipment and energy storage capability equipment for a renewable energy facility.
History:	Originally enacted in 2002 and amended in 2010 and 2024. The 2024 amendment expanded the deduction to include energy storage facilities and placed a sunset date of July 1, 2034.
Evaluation:	None.
Recommendations:	“Government” is defined as federal or state level entities. Amending the statute to include county and municipal entities would extend savings to those governmental entities.
Reliability Factor:	No data are available to estimate the fiscal impact.
Fiscal Impact:	Unknown.

WORKING FAMILIES TAX CREDIT AGAINST PIT

Category:	Citizen Benefits
Brief Description:	This credit may be claimed against PIT as a percentage of a taxpayer's federal earned income tax credit (EITC). The percentage of New Mexico's credit has risen over time and for tax year 2023 and forward, is 25% of EITC. The credit is refundable.
Statutory Basis:	7-2-18.15 NMSA 1978
Intended Purpose:	To reduce the tax burden on working families, thereby reducing poverty and incentivizing workforce participation.
History:	<p>Originally enacted in 2007 at 8% of a taxpayer's federal EITC, amended in 2008 to 10%, and amended in 2019 to 17%.</p> <p>In 2021, the tax credit was amended to 20% for tax years 2021 and 2022, and 25% effective for tax year 2023 and beyond. Effective tax year 2021, eligibility expanded to New Mexico taxpayers who file PIT using a federally-issued individual taxpayer identification number (ITIN) and to those between the ages 18 to 24 without a qualifying child.</p>
Evaluation:	<p>The Working Families Tax Credit is one of several tax programs that contribute to New Mexico's Maintenance of Effort certification for the Temporary Assistance for Needy Families program⁴⁰. Except for state expansions enacted in 2021, eligibility for this credit is contingent upon receipt of the federal EITC that annually adjusts income thresholds. This credit assists -lower-income workers by providing income tax relief. The credit phases out gradually as income rises and the credit is larger for families with more dependents. In the last three fiscal years, on average, 207,000 claims have been made annually, averaging \$119 million in expenditures each fiscal year. Expansion of this credit has likely contributed to New Mexico's improved Supplemental Poverty Measure, especially contributing to improvements in child poverty. Similarly, in 2024, New Mexico's Official Poverty Measure for children fell 3.2%, the largest improvement in the nation.</p> <p>Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New Mexico economy to increase consumption and economic activity in New Mexico.</p>

⁴⁰ TANF is a federal block grant that provides cash and medical assistance to low-income families with dependent children. To receive TANF funds, New Mexico must spend some of its own dollars (state or local monies) on programs for needy families. This is known as Maintenance of Effort (MOE).

Recommendations: None.

Reliability Factor:  1 - This credit is separately reported. No estimation is required.

Fiscal Impact:

Working Families Tax Credit	Tax Year (Calendar)	2022	2023	2024
	Claims	200,238	197,233	201,819
	Expenditure (thousands)	\$92,853	\$125,255	\$130,807
	Fiscal Year	2023	2024	2025
	Claims	206,380	207,004	208,205
	Expenditure (thousands)	\$93,497	\$126,732	\$135,911

NOT TAX EXPENDITURES

While almost anything with respect to tax expenditures can be debated, little argument⁴¹ surrounds the following deviations from the tax code; therefore, Tax & Rev classifies them as “Not Tax Expenditures”.

Many of these deviations fall into the following broad categories:

1) Reducing the effects of pyramiding. One of the detrimental impacts of a GRT system is that, absent a deviation, external costs of production are taxed at the time the producer acquires them and then again when the producer sells the final product. When compared to a sales tax system, this makes the cost of a good or service more expensive when all factors other than the type of tax system are equal. Many of the deductions in New Mexico’s GRT are designed to eliminate taxation on the inputs so that the tax is only applied to the final product. (Pyramiding is discussed in detail in this report under “Tax Policy Examination – Tax Pyramiding”.)

2) Allowing deductions or exemptions under one tax program because the Legislature has elected to instead impose tax under another program.

Furthermore, New Mexico policymakers have decided to use different tax structures to tax different activities (e.g., MVX for the sale of motor vehicles). Deviations from one structure when the activity is taxed under a different structure (e.g., GRT deduction for the sale of motor vehicles) prevent double taxation.

3) Several other deviations are in the code because of the federal preemption doctrine. Because states are prohibited from taxing the federal government, New Mexico is unable to impose a tax, regardless of whether the deviation was placed in the code. Including these deviations in the tax code simply provides some measure of clarity to the taxpayer and the Taxation and Revenue Department.

Reporting information about tax code deviations that are “Not Tax Expenditures” is not specifically required. However, we have included some descriptive information about the deviations to give the reader a more complete picture of the New Mexico tax landscape.

‘Not Tax Expenditures’ are presented in alphabetical order. The table of contents provides an alphabetized list of the “not tax expenditures.” To find a specific deviation based on its statute citation, use the index at the end of the report.

⁴¹ Note that this is intentionally different from saying that “there is no argument”; judgment calls are an inherent feature of tax expenditure analysis and the economists at the New Mexico Taxation and Revenue Department have used their best judgement in determining what is and what is not a tax expenditure.

ACCREDITED DIPLOMATS AND MISSIONS GRT DEDUCTION

- Brief Description:** Receipts from the sale or lease of property to, or from performing services for, accredited foreign missions or diplomats are deductible from gross receipts when required by a treaty to which the U.S. Government is a signatory.
- Statutory Basis:** 7-9-89 NMSA 1978
- Intended Purpose:** Presumably to comply with the federal preemption doctrine.
- History:** Originally enacted in 1998.

ACQUISITION OF VEHICLE FOR SUBSEQUENT LEASE EXEMPTION FROM MVX

- Brief Description:** A person who acquires a vehicle for subsequent lease is exempt from the MVX if:
- (1) the person does not use the vehicle in any manner other than holding it for lease or sale or leasing or selling it in the ordinary course of business;
 - (2) the lease is for a term of more than 6 months;
 - (3) the receipts from the subsequent lease are subject to GRT; and
 - (4) the vehicle does not have a gross vehicle weight of over 26,000 pounds.
- Statutory Basis:** 7-14-6(F) NMSA 1978
- Intended Purpose:** Presumably to define the tax base and avoid pyramiding as there is a requirement the subsequent lease be subject to GRT.
- History:** The section was originally enacted in 1988 and was amended in 1990, 1994, 2004, and 2007. The language in this subsection was added as part of the amendment in 1994.

ACQUISITION OF VEHICLE MORE THAN 30 DAYS BEFORE MOVING TO NEW MEXICO EXEMPTION FROM MVX

- Brief Description:** A person who acquires a vehicle out of state thirty or more days before establishing a domicile in this state is exempt from the tax if the vehicle was acquired for personal use.
- Statutory Basis:** 7-14-6(A) NMSA 1978
- Intended Purpose:** Presumably to eliminate an unreasonable tax burden on non-residents relocating to New Mexico on personally owned and operated vehicles.
- History:** Originally enacted in 1988 and was amended in 1990, 1994, 2004, and 2007.

ATHLETIC FACILITY SURCHARGE EXEMPTION FROM GRT AND GGRT

- Brief Description:** Exempted from the GRT and from the GGRT are the receipts of a university from an athletic facility surcharge imposed pursuant to the University Athletic Facility Funding Act.
- Statutory Basis:** 7-9-41.1 NMSA 1978
- Intended Purpose:** Presumably to avoid taxation under multiple programs. Because the University Athletic Funding Act allows a university to impose an athletic facility surcharge on products and services sold at or related to the facility, this exempts those sales from the GRT and GGRT so that they are not taxed twice.
- History:** Originally enacted in 2007 as part of the legislation that enacted the University Athletic Facility Funding Act.

BAD DEBTS DEDUCTION FROM INTERSTATE TELECOMMUNICATIONS GRT

Brief Description: Refunds and allowances made to buyers of interstate telecommunications services or amounts written off the books as an uncollectible debt by a person reporting Interstate Telecommunications GRT on an accrual basis are deductible from interstate telecommunications gross receipts.

If debts reported as uncollectible are subsequently collected, the receipts must be included in interstate telecommunications gross receipts when they are collected.

Statutory Basis: 7-9C-9 NMSA 1978

Intended Purpose: Presumably to properly define the tax base and avoid requiring a taxpayer to pay taxes on non-existent receipts.

History: Originally enacted in 1992.

BIODIESEL DEDUCTION FROM SPECIAL FUEL EXCISE TAX

Brief Description: Biodiesel that is blended or resold at a rack in New Mexico is deductible from the special fuel excise tax

Statutory Basis: 7-16A-10(H)(1) and (2) and 7-16A-9.4 NMSA 1978


Intended Purpose: Presumably to prevent double taxation.

History: 7-16A-10(H)(1) and (2) NMSA 1978 were originally enacted in 2009 and amended in 2013. The 2013 amendment sunset a definition of the fuel as consisting of at least 99% vegetable oil or animal fat as of July 1, 2014, and converted to the term 'biodiesel' under subsection (2).

7-16A-9.4 NMSA 1978 was enacted in 2013 and amended in 2025. This statute requires the reporting of this deduction. The 2025 amendment revised the reporting requirements.

Evaluation: None.

Recommendations: None.

Reliability Factor:  1 - This non-expenditure deduction is calculated directly using taxpayer data for the special fuels tax reporting.

Biodiesel Deduction from Special Fuel Excise Tax	Fiscal Year	2025
	Expenditure (thousands)	\$280

**BIODIESEL FOR SUBSEQUENT BLENDING OR RESALE
BY A RACK OPERATOR
DEDUCTION FROM PETROLEUM PRODUCTS LOADING FEE**

Brief Description: Biodiesel loaded in or imported into New Mexico and delivered to a rack operator for subsequent blending or resale by a rack operator is deductible from gallons used to determine loads for the purposes of calculating the petroleum products loading fee.


Statutory Basis: 7-13A-5(B) and 7-13A-5(D) NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: The section was originally enacted in 1990. These subsections were created by an amendment in 2014. A 2025 amendment revised the reporting requirements under subsection (D).

Evaluation: None.

Recommendations: None.

Reliability Factor:  2 - This non-expenditure deduction is calculated directly using taxpayer data for the special fuels tax reporting. Estimation is required to extrapolate to the Petroleum Product Loading Fee.

Biodiesel Deduction from Petroleum Products Loading Fee	Fiscal Year	2025
	Expenditure (thousands)	\$1.1

BOATS
EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** Both the receipts from selling, and the use of boats on which an excise tax is imposed are exempt from the GRT and the compensating tax.
- Statutory Basis:** 7-9-22.1 and 7-9-23.1 NMSA 1978
- Intended Purpose:** Presumably to avoid taxation under multiple programs as these exemptions only apply to those boats on which a tax is imposed pursuant to Section 66-12-6.1 NMSA 1978.
- History:** Originally enacted in 1987.

BUSINESS LOCATED ON LAND OWNED BY THE MUNICIPALITY BUT
OUTSIDE THE MUNICIPAL BOUNDARIES
EXEMPTION FROM SUPPLEMENTAL MUNICIPAL GRT AND
MUNICIPAL LOCAL OPTION GRT

- Brief Description:** A business located outside of the boundaries of a municipality on land owned by that municipality is exempt from the supplemental municipal GRT and the municipal local option GRT.
- Statutory Basis:** 7-19-14(B) and 7-19D-5(B) NMSA 1978
- Intended Purpose:** Presumably to resolve a jurisdictional question and provide certainty about the tax rate that applies in this situation (without this clarification, there could be arguments about which tax rate applies).
- History:** Originally enacted in 1979 and amended in 1983 and 1994.

CERTAIN RETAIL SALES OF GASOLINE ON AN INDIAN RESERVATION, PUEBLO GRANT OR TRUST LAND DEDUCTION FROM GASOLINE TAX

- Brief Description:** A person may deduct a percentage equal to the rate the Indian nation, tribe, or pueblo charges divided by the rate the state charges from the gasoline gallons received that are sold at retail on Indian nation, tribe, or pueblo land.
- Statutory Basis:** 7-13-4.4 NMSA 1978
- Intended Purpose:** Presumably to address multi-jurisdictional taxation as the deduction may only be taken if the Indian nation, tribe, or pueblo has certified that it has in effect an excise, privilege, or similar tax on gasoline.
- History:** Originally enacted in 2000.

CHARITABLE ORGANIZATIONS EXEMPTION FROM PIT AND CIT

- Brief Description:** Religious, educational, benevolent, or other organizations not organized for profit which are exempt from income taxation under the Internal Revenue Code are exempt from PIT and CIT; however, PIT and CIT apply to the unrelated business income of the organization.
- Statutory Basis:** 7-2-4(B) and 7-2A-4(C) NMSA 1978
- Intended Purpose:** To define the tax base.
- History:** The PIT exemption was originally enacted in 1965 and amended in 1969, 1971, and 1981.
- The CIT exemption was originally enacted in 1981 and amended in 1986 and 1989.

CHEMICALS AND REAGENTS GRT DEDUCTION

Brief Description: Receipts from selling chemicals or reagents to any mining, milling, or oil company for use in processing ores or oil in a mill, smelter, or refinery or in acidizing oil wells, and receipts from selling chemicals or reagents in lots in excess of 18 tons to any hard-rock mining or milling company for use in any combination of extracting, leaching, milling, smelting, refining or processing ore at a mine site are deductible from gross receipts.

Receipts from selling explosives, blasting power or dynamite may not be deducted from gross receipts.

Statutory Basis: 7-9-65 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 1969 and amended in 2019 to clarify that lots of chemicals or reagents in excess of 18 tons must be sold to a hard-rock mining or milling company and must be used at a mine site for specific purposes.

CONSTRUCTION MATERIAL GRT DEDUCTION

Brief Description: Receipts from selling construction material are deductible from gross receipts if the sale is made to a person engaged in the construction business.

The buyer must present a non-taxable transaction certificate or alternative evidence to the seller and incorporate the construction material as:

- (1) an ingredient or component part of a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;
- (2) an ingredient or component part of a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed;
or
- (3) an ingredient or component part of a construction project that is located on the tribal territory of an Indian nation, tribe or pueblo.

Statutory Basis: 7-9-51 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 1969 and amended in 2000, 2001, and 2021.

The 2021 amendment clarifies that, in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

CONSTRUCTION SERVICES AND CONSTRUCTION-RELATED SERVICE GRT DEDUCTION

Brief Description: Receipts from selling a construction service or a construction-related service are deductible from gross receipts if the sale is made to a person engaged in the construction business.

The buyer must present a non-taxable transaction certificate or alternative evidence to the seller and have the construction services or construction-related services directly contracted for or billed to:

- (1) a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;
- (2) a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed; or
- (3) a construction project that is located on the tribal territory of an Indian nation, tribe or pueblo.

Statutory Basis: 7-9-52 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 1969 and amended in 2000, 2012, and 2021.

The 2012 amendment included the deduction for constructed-related services.

The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

DEPENDENT DEDUCTION FROM PIT FOR CERTAIN DEPENDENTS

Brief Description: If the exemption amount pursuant to Section 151 of the Internal Revenue Code (IRC) is zero, any taxpayer who files a PIT return as a head of household or married filing jointly and is not a dependent of another taxpayer may claim a \$4,000 deduction per eligible dependent beyond the first dependent claimed.


Statutory Basis: 7-2-39 NMSA 1978

Intended Purpose: To revert to the New Mexico tax base prior to the passage of the 2017 Federal Tax Cuts and Jobs Act (TCJA) and maintain conformity with federal IRC going forward.

History: The PIT deduction was originally enacted in 2019 and amended in 2025.

Evaluation: The deduction is serving its intended purpose of providing relief to households with dependents from the negative state-level TCJA impact. TCJA repealed the federal personal exemption in favor of a substantial increase in the federal standard deduction and a child tax credit. While conformity to federal tax code implies that the federal changes to personal exemption and standard deductions flow through to the New Mexico tax code, the child tax credit does not. This dependent deduction was intended to serve a similar function as the federal child tax credit. Since 2021, the deduction has been claimed by an average of 172,500 New Mexican taxpayers each fiscal year and has reduced the tax liability on average by \$158.

Recommendations: None.

Reliability Factor:  2 – This non-expenditure deduction is calculated directly using taxpayer data. Some estimation is required.

Fiscal Impact:

Dependent Deduction from PIT for Certain Dependents	Tax Year (Calendar)	2022	2023	2024
	Claims	170,118	169,170	155,847
	Expenditure (thousands)	\$26,315	\$26,979	\$25,438
	Fiscal Year	2023	2024	2025
	Claims	169,992	174,029	173,457
	Expenditure (thousands)	\$26,474	\$27,505	\$27,768

DIVIDENDS AND INTEREST EXEMPTION FROM GRT

- Brief Description:** Interest on money loaned or deposited; dividends or interest from stocks, bonds, or securities; and receipts from the sale of stocks, bonds, or securities are exempt from GRT.
- Statutory Basis:** 7-9-25 NMSA 1978
- Intended Purpose:** To avoid double taxation as these are taxed under the personal income tax.
- History:** Originally enacted in 1969.

DYED GASOLINE USED FOR OFF-ROAD TRANSPORTATION DEDUCTION FROM GASOLINE TAX

- Brief Description:** Gasoline that is dyed in accordance with Tax & Rev regulations and is not used in motor vehicles operating on the highways of New Mexico is deductible from the gasoline tax but is subject to GRT.
- Statutory Basis:** 7-13-4(D) NMSA 1978
- Intended Purpose:** Presumably to recognize that off-road vehicles don't contribute to the deterioration of the roads, the maintenance of which is funded through the gasoline tax distributions to the State Road Fund.
- History:** The section was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.
- The language in this subsection was created by an amendment in 1998.

DYED SPECIAL FUEL DEDUCTION FROM SPECIAL FUEL EXCISE TAX

- Brief Description:** Special fuels dyed in accordance with federal regulations are deductible from the special fuel excise tax.
- Statutory Basis:** 7-16A-10(E) NMSA 1978
- Intended Purpose:** Presumably to recognize that off-road vehicles do not contribute to the deterioration of the roads, the maintenance of which is funded through the special fuel excise tax distributions to the State Road Fund.
- History:** This section was originally enacted in 1992 and amended in 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

EVENT CENTER SURCHARGE EXEMPTION FROM GRT AND GGRT

- Brief Description:** Receipts from selling tickets, parking, souvenirs, concessions, programs, advertising, merchandise, corporate suites or boxes, broadcast revenues, and all other products or services sold at or related to a municipal event center on which an event center surcharge is imposed pursuant to the Municipal Event Center Funding Act are exempt from GRT and GGRT.
- Statutory Basis:** 7-9-13.5 NMSA 1978
- Intended Purpose:** Presumably to avoid taxation under multiple tax programs as the receipts must be subject to an event center surcharge to be exempt.
- History:** Originally enacted in 2005 as part of the legislation that enacted the Municipal Event Center Funding Act.
- Evaluation:** The Municipal Event Center Funding Act provides an additional method of accessing the capital markets to meet the need for a complete funding package for functional and modern municipal event centers. Because the Municipal Event Center Funding Act allows a municipality to impose an event center surcharge on products and services sold at or related to the stadium, these exemptions from the GRT and GGRT prevent them from being taxed twice.

EXEMPTIONS FROM THE INSURANCE PREMIUM TAX

- Brief Description:** Exempted from the Insurance Premium Tax are:
- A. Premiums attributable to insurance or contracts purchased by the state or political subdivision for their active or retired employees
 - B. Payments received by a health maintenance organization from the federal secretary of health and human services pursuant to a risk-sharing contract issued under the provisions of 42 U.S.C. Section 1395 mm(g)
 - C. Any business transacted pursuant to the provisions of the Service Contract Regulation Act
 - D. The premiums from each policy of plan issued or offered pursuant to the Minimum Healthcare Protection Act during the first three years of the issuance of the master policy or individual policy (Effective July 1, 2025, this subsection is repealed.)
 - E. The money collected and placed in trust pursuant to Section 59A-49-6 NMSA 1978.
 - F. Premiums from supplemental health care plans issued by a nonprofit insurer (Effective July 1, 2025)

Statutory Basis: 7-40-5 NMSA 1978

Intended Purpose: Presumably to define the tax base and federal preemption.

History: Originally enacted in 2018, effective January 1, 2020. Amended in 2025 to repeal an outdated exemption and to add an exemption for premiums from supplemental health care plans issued by nonprofit insurers.

FILMS AND TAPES GRT DEDUCTION

Brief Description: Receipts from leasing theatrical and television films and tapes to movie theaters or similar facilities are deductible when the theater's receipts are subject to GRT.

Statutory Basis: 7-9-76.2 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 1984.

FUEL EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** The selling and the use of gasoline, special fuel, or alternative fuel on which the tax imposed by other acts has been paid are exempt from GRT and compensating tax.
- Statutory Basis:** 7-9-26 NMSA 1978
- Intended Purpose:** Presumably to avoid taxation under multiple tax programs, as the fuels must be taxed pursuant to the gasoline tax, the special fuel excise tax, or the Alternative Fuel Tax Act to qualify for the exemption.
- History:** Originally enacted in 1969 and amended in 1971, 1980, 1981, 1983, 1993, 1995, and 2023.

GASOLINE OR SPECIAL FUELS RETURNED TO THE REFINER AS UNCOLLECTIBLE DEDUCTION FROM PETROLEUM PRODUCTS LOADING FEE (PPLF)

- Brief Description:** Gasoline and special fuels that are returned to the refiner, pipeline terminal operator, or distributor are deductible from the gallons used to determine loads for purposes of calculating the PPLF when refunds and allowances are made to buyers for the returned fuel.
- Gasoline and special fuels, when payment has not been collected and been determined to be uncollectible, are deductible from the gallons used to determine loads for purposes of calculating the PPLF.
- Statutory Basis:** 7-13A-5(A) NMSA 1978
- Intended Purpose:** Presumably to ensure that taxes are not paid on gasoline and special fuel which the taxpayer is unable to market.
- History:** Originally enacted in 1990 and amended in 2014.

INCOME EARNED BY INDIANS EXEMPTION FROM PIT

- Brief Description:** Income earned by a member of a New Mexico federally-recognized Indian nation, tribe, band or pueblo, the member's spouse or dependent, who is a member of a New Mexico federally-recognized Indian nation, tribe, band or pueblo, is exempt from PIT if the income is earned from work performed within and the member, spouse or dependent is domiciled within the boundaries of the Indian member's or the spouse's reservation or pueblo grant or within the boundaries of lands defined as "Indian County" pursuant to 18 U.S.C Section 1151.
- Statutory Basis:** 7-2-5.5 NMSA 1978
- Intended Purpose:** To define the tax base and comply with federal limitations on a state's imposition of its taxes under federal Indian law.
- History:** Originally enacted in 1995 and amended in 2023.

INSURANCE COMPANIES EXEMPTION FROM CIT

- Brief Description:** Insurance companies that pay the insurance premium tax to the state are exempt from CIT.
- Statutory Basis:** 7-2A-4(A) NMSA 1978
- Intended Purpose:** To avoid taxation under multiple programs as qualification for the exemption is dependent upon paying a premium tax.
- History:** Originally enacted in 1981 and amended in 1986 and 1989.

INTERGOVERNMENTAL COAL SEVERANCE CREDIT AGAINST COAL SEVERANCE TAX

Brief Description: A person who severs coal from tribal land may claim a credit against the coal severance tax and the coal surtax imposed under Section 7-26-6 NMSA 1978.

The credit is calculated monthly and is equal to 75% of the lesser of:

- (1) the aggregate amount of taxes in effect on March 1, 2001, that are imposed by the Indian nation, tribe, or pueblo; or
- (2) the aggregate amount of coal severance tax and the coal surtax due to the state.

Statutory Basis: 7-29C-2 NMSA 1978

Intended Purpose: To recognize the sovereignty of Indian nations, tribes, and pueblos, and address issues with multi-jurisdictional taxation.

History: Originally enacted in 2001.

INTERGOVERNMENTAL CREDIT AGAINST CIT

Brief Description: A new business that opens on Indian land after July 1, 1997, may claim a credit against the CIT.

The credit is calculated for each reporting period and is equal to 50% of the lesser of:

- (1) the aggregate amount of tax paid by the taxpayer; or
- (2) the amount of the taxpayer's CIT due from the new business' activity on Indian land.

Statutory Basis: 7-2A-16 NMSA 1978

Intended Purpose: To accommodate principles of fair apportionment between the tribes and the state.

History: Originally enacted in 1997.

**INTERGOVERNMENTAL PRODUCTION AND INTERGOVERNMENTAL
PRODUCTION EQUIPMENT CREDIT AGAINST OIL AND GAS
SEVERANCE TAX, OIL AND GAS CONSERVATION TAX, OIL AND GAS
EMERGENCY SCHOOL TAX, AND OIL AND GAS AD VALOREM
PRODUCTION TAX**

Brief Description: A person who severs products from tribal land may claim a credit against the oil and gas severance tax, the oil and gas conservation tax, the oil and gas emergency school tax, or the oil and gas ad valorem production tax.

The credit is calculated monthly and is equal to 75% of the lesser of:

- (1) the aggregate amount of taxes in effect on March 1, 1995, imposed by the Indian nation, tribe, or pueblo; or
- (2) the aggregate amount of oil and gas severance tax, the oil and gas conservation tax, the oil and gas emergency school tax, or the oil and gas ad valorem production tax due the state.

A person who is liable for the payment of the oil and gas production equipment ad valorem tax imposed on equipment located on Indian tribal land may claim a credit.

The credit is calculated monthly and is equal to 75% of the lesser of:

- (1) the aggregate amount of ad valorem or similar taxes in effect on March 1, 1995, imposed by the Indian nation, tribe, or pueblo; or
- (2) the aggregate amount of oil and gas production equipment tax due to the state.

Statutory Basis: 7-29C-1 NMSA 1978

Intended Purpose: To recognize the sovereignty of Indian nations, tribes, and pueblos and to address the cumulative tax burden of multijurisdictional taxation.

History: Originally enacted in 1995 and amended in 1999.

INTERNET SERVICES GRT DEDUCTION

- Brief Description:** Receipts from providing telecommunications, Internet, or Internet access services to internet service providers are deductible.
- Statutory Basis:** 7-9-56.1 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding as the final user must be subject to the GRT or ITGRT.
- History:** Originally enacted in 1998 and amended in 2000.

INTERSTATE SALES OF SPIRITUOUS LIQUORS, BEER, & WINE AND WINEGROWER-TO-WINEGROWER TRANSFERS DEDUCTION FROM LIQUOR EXCISE TAX

- Brief Description:** A wholesaler who sells and ships liquor, beer, or wine out of state may claim a deduction for those liters from the units of alcoholic beverages subject to the liquor excise tax.
- A winegrower who transfers wine to another winegrower for processing, bottling, or storage and subsequently returns the wine to the original winegrower may claim a deduction for those liters from the units of wine subject to the liquor excise tax.
- Statutory Basis:** 7-17-6 NMSA 1978
- Intended Purpose:** Presumably to increase New Mexico winegrowers' competitiveness in other states with respect to the out-of-state deduction and to ensure that the product is not taxed twice (once in New Mexico and once in the other state); and to reduce tax pyramiding with respect to the winegrower-to-winegrower transfers.
- History:** Originally enacted in 1984 and amended in 1995 and 2008.

INTERSTATE SALES OF TOBACCO DEDUCTION AGAINST TOBACCO PRODUCTS TAX

- Brief Description:** The value of tobacco products sold or given and shipped to a person in another state is deductible from the product value subject to tax imposed by the Tobacco Products Tax Act.
- Statutory Basis:** 7-12A-5 NMSA 1978
- Intended Purpose:** Presumably to ensure that the product is not taxed twice (once in New Mexico and again in the other state).
- History:** Originally enacted in 1986.

INTERSTATE TELECOMMUNICATIONS SERVICES EXEMPTION FROM GRT (ITGRT)

- Brief Description:** Receipts from selling or providing interstate telecommunications services that are subject to ITGRT are exempt
- Statutory Basis:** 7-9-38.1 NMSA 1978
- Intended Purpose:** Presumably to avoid taxation under multiple programs as the exemption only applies to the sale or provision of interstate telecommunications services subject to the tax imposed by the Interstate Telecommunications Gross Receipts Tax Act⁴².
- History:** Originally enacted in 1992 and amended in 1993.

INTERSTATE COMMERCE TRANSACTIONS DEDUCTION FROM LEASED VEHICLE GROSS RECEIPTS TAX

- Brief Description:** Receipts from transactions in interstate commerce are deductible from gross receipts to the extent that the imposition of the leased vehicle gross receipts tax would be unlawful under the United States Constitution.
- Statutory Basis:** 7-14A-7 NMSA 1978
- Intended Purpose:** To comport with U.S. Constitutional limitations on state taxation under the Commerce Clause.
- History:** Originally enacted in 1991.

⁴² Section 7-9C-1 NMSA 1978

JEWELRY MANUFACTURING GRT DEDUCTION

- Brief Description:** Receipts from selling tangible personal property are deductible from gross receipts if the sale to the buyer is made to a jewelry manufacturer and the property is incorporated as an ingredient or component part of the jewelry.
- The deduction allowed to a seller under this section shall not exceed \$5,000 during any twelve-month period attributable to purchases by a single purchaser.
- This deduction was no longer necessary after the enactment of Section 7-9-46, which provides a general deduction for receipts from the sale of tangible personal property to a manufacturer.
- Statutory Basis:** 7-9-74 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding as the deduction only applies if the sale is made to a person who uses the property as an ingredient or component part of the jewelry the buyer manufactures.
- Recommendation:** None.
- History:** Originally enacted in 1971 and amended in 1975 and 1994. Repealed in 2025 with an effective date of July 1, 2025.

JICARILLA APACHE TRIBAL CAPITAL IMPROVEMENTS TAX CREDIT AGAINST OIL AND GAS EMERGENCY SCHOOL TAX

Brief Description: A person who is liable for the payment of the oil and gas emergency school tax imposed on products severed from Jicarilla Apache tribal land shall be entitled to a credit against the oil and gas emergency school tax for products from a well on Jicarilla Apache tribal land.

The credit is calculated monthly and is equal to the lesser of:

- (1) the Jicarilla Apache tribal capital improvements tax; or
- (2) .7% of the taxable value of the products severed from qualified wells.

Statutory Basis: 7-31-27 NMSA 1978

Intended Purpose: To recognize the sovereignty of Indian nations, tribes, and pueblos and to address issues with multi-jurisdictional taxation. The Jicarilla Apache tribal capital improvements tax is exclusively dedicated to funding capital improvement projects on Jicarilla Apache tribal land and is not available to finance the construction of buildings used for commercial activity.

History: Originally enacted in 2002.

LARGE HEALTH CARE FACILITY EXEMPTION FROM HEALTH CARE QUALITY SURCHARGE

- Brief Description:** A health care facility with more than 90,000 annual Medicaid-financed bed days may claim an exemption in an amount equal to 65 percent of the health care quality surcharge.
- The percentage and annual Medicaid-financed days criteria may be modified by rules promulgated by HCA to comply with federal approval.
- Statutory Basis:** 7-41-5 NMSA 1978
- Intended Purpose:** To establish the tax base and meet approval requirements of the federal Centers for Medicare & Medicaid Services (CMS) approval.
- History:** The Health Care Quality Surcharge and this exemption were enacted in 2019 and amended in 2022 to make permanent.

LEASE FOR SUBSEQUENT LEASE GRT DEDUCTION

- Brief Description:** Receipts from leasing tangible personal property or licenses used for subsequent lease in the ordinary course of business are deductible from gross receipts.
- The lessee must provide a non-taxable transaction certificate or alternative evidence to the lessor.
- Statutory Basis:** 7-9-50 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding.
- History:** Originally enacted in 1969 and amended in 1972, 1975, 1979, 1983, 1991, 1992, and 2021.
- The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

LEASE OF CONSTRUCTION EQUIPMENT GRT DEDUCTION

Brief Description: Receipts from leasing construction equipment are deductible from gross receipts if the lease is made to a person engaged in the construction business.

The lessee must present a non-taxable transaction certificate or alternative evidence to the lessor and use the construction equipment at the location of:

- (1) a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;
- (2) a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed; or
- (3) a construction project that is located on the tribal territory of an Indian nation, tribe, or pueblo.

Statutory Basis: 7-9-52.1 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 2012 and amended in 2021.

The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

MARKETPLACE SELLER DEDUCTION FROM GROSS RECEIPTS AND GOVERNMENTAL GROSS RECEIPTS TAX

Brief Description: The receipts from the sale, lease, or license of real or tangible property by a marketplace seller that are facilitated by a marketplace provider are deductible from gross receipts.

Statutory Basis: 7-9-117 NMSA 1978

Intended Purpose: The deduction ensures that the incidence of taxation occurs once at the point of sale with the marketplace provider.

History: The section was originally enacted in 2019 and amended in 2020 to include governmental gross receipts.

MEDICAL INSURANCE POOL ASSESSMENTS CREDIT AGAINST INSURANCE PREMIUM TAX

- Brief Description:** There is a 50 percent credit on the assessment for any New Mexico medical insurance pool member pursuant to Section 59A-54-10 NMSA 1978 and a 75 percent credit for the assessments attributable to the pool policyholders that receive premiums, in whole or in part, through the federal Ryan White CARE Act, the Ted R. Montoya hemophilia program at the university of New Mexico health sciences center, the children's medical services bureau of the public health division of the department of health, or other programs receiving state funding or assistance.
- Statutory Basis:** 7-40-6 NMSA 1978
- Intended Purpose:** To avoid double taxation.
- History:** Previously the credit was in the insurance code. Originally enacted in 2018 under the Tax Administration Act, effective January 1, 2020. Amended in 2023 to disallow any refund or carryforward of the credit that exceeds tax liability.

MEDICAL CANNABIS EXEMPTION FROM CANNABIS EXCISE TAX

- Category:** Health Care
- Brief Description:** The cannabis excise tax shall not apply to retail sales of medical cannabis products sold to a qualified patient or a primary caregiver who presents a registry identification card issued pursuant to the Lynn and Erin Compassionate Use Act [Chapter 26, Article 2B NMSA 1978] or a reciprocal participant who presents similar proof from another state, the District of Columbia or a territory or commonwealth of the United States at the time of the sale.
- Statutory Basis:** 7-42-3(C) NMSA 1978
- Intended Purpose:** The Cannabis Tax Act exempts medical cannabis, presumably to define the tax base. Particularly since medical cannabis is also excluded from GRT and GGRT through Section 7-9-73.2 NMSA 1978. When defining its tax base, the law excluded retail sales of medical cannabis products sold to a person who presents a registry identification card issued pursuant to the Lynn and Erin Compassionate Use Act.
- History:** Originally enacted in 2021.

**NATURAL GAS ALREADY TAXED
EXEMPTION FROM NATURAL GAS PROCESSORS TAX**

Brief Description: The tax shall not be levied more than once on the same natural gas.

Statutory Basis: 7-33-7 NMSA 1978

Intended Purpose: Presumably to avoid double taxation.

History: Originally enacted in 1963 and amended in 1998.

**NATURAL RESOURCES SUBJECT TO RESOURCES EXCISE TAX
EXEMPTION FROM GRT**

Brief Description: Receipts from the sale or processing of natural resources, the severance or processing of which are subject to the resources excise tax, are exempt from gross receipts.

Statutory Basis: 7-9-35 NMSA 1978

Intended Purpose: Presumably to avoid taxation under multiple tax programs as the exemption only applies to severed natural resources that are subject to the taxes imposed by the Resources Excise Tax Act.

History: Originally enacted in 1969 and amended in 1984 and 1989.

**“NET INCOME”
EXEMPTIONS FROM PIT**

Brief Description: Income (in the form of interest) derived from U.S. government obligations is excluded from the definition of “net income” and therefore exempt from PIT.

Statutory Basis: 7-2-2(N)(4) NMSA 1978

Intended Purpose: To comply with the federal preemption doctrine.

History: Originally enacted in 1991.

NET INCOME SUBJECT TO ENTITY-LEVEL TAX CREDIT AGAINST PIT OR CIT

- Brief Description:** An owner of a pass-through entity electing annually to pay income tax under the entity-level tax may be allowed a tax credit against their PIT or CIT liability. The credit is in an amount equal to the owner's share of the entity-level tax. The credit is refundable.
- Statutory Basis:** 7-3A-10 (H) NMSA 1978
- Intended Purpose:** To prevent double taxation of net income under New Mexico's income tax programs.
- History:** 7-3A-10 NMSA 1978 was originally enacted in 2022 and was amended in 2023 to create the credit under subsection H. The credit replaces an exemption from PIT or CIT previously provided under 7-2-5.12 and 7-2A-4.1 NMSA 1978.

NONPROFIT HOSPITAL EXEMPTION FROM LOCAL GROSS RECEIPTS TAX

- Brief Description:** The receipts from a nonprofit hospital licensed by the department of health are exempt from the local option gross receipts tax. They are not exempt from the state gross receipts tax.
- Statutory Basis:** 7-9-41.5 NMSA 1978
- Intended Purpose:** To establish the tax base among all hospitals regardless of profit or non-profit status.
- History:** The section was originally enacted in 2019.

NONRESIDENT EXEMPTION FROM ESTATE TAX

- Brief Description:** The transfer of a nonresident's personal property is exempt from the estate tax to the extent that the personal property of a resident is exempt from taxation under the laws of the state in which the nonresident is domiciled.
- Statutory Basis:** 7-7-4(D) NMSA 1978
- Intended Purpose:** Presumably to reduce the administrative commitment between states.
- History:** Originally enacted in 1973 and amended in 1999.

OCCASIONAL SALE OF PROPERTY OR SERVICES EXEMPTION FROM GRT

Brief Description: Receipts from the isolated or occasional sale or leasing of property or a service by a person who is not in the business of selling or leasing the same or similar property or service are exempt from GRT.

Statutory Basis: 7-9-28 NMSA 1978

Intended Purpose: Presumably to define the tax base.

History: Originally enacted in 1969.

OIL AND GAS OR MINERAL INTERESTS EXEMPTION FROM GRT

Brief Description: Receipts from the sale or lease of oil, natural gas, or mineral interests are exempt from GRT.

Statutory Basis: 7-9-32 NMSA 1978

Intended Purpose: To prevent double taxation, as these receipts are taxed under different severance taxes.

History: Originally enacted in 1969.

ONE-WAY HAUL AND EMPTY TRAVEL RATE DIFFERENTIAL FROM WDT

Brief Description: If (1) a motor vehicle is customarily used for one-way haul, (2) the motor vehicle travels empty of all load for at least 45% of the mileage traveled during a registration year, and (3) the registrant of the vehicle has made a sworn application, the tax is two-thirds of the standard WDT.

Statutory Basis: 7-15A-6(B) NMSA 1978

Intended Purpose: Presumably to appropriately tax vehicles based on its wear and tear on New Mexico roads, and thereby to define the tax base.

History: Originally enacted in 1988 and amended in 2003 and 2004.

PERSONAL EFFECTS EXEMPTION FROM COMPENSATING TAX

Brief Description: The use by an individual of personal or household effects brought into the state in connection with the establishment by the individual of an initial residence in this state and the use of property brought into the state by a nonresident for their own nonbusiness use while temporarily within this state are exempt from compensating tax.

Statutory Basis: 7-9-27 NMSA 1978

Intended Purpose: Presumably to encourage relocating to New Mexico, and to avoid administrative complexity.

History: Originally enacted in 1969.

PETROLEUM PRODUCTS EXPORTED FOR RESALE EXEMPTION FROM PETROLEUM PRODUCTS LOADING FEE

Brief Description: Petroleum products that are either loaded into cargo tanks in New Mexico and exported for resale and consumption outside of New Mexico, or are imported into New Mexico and subsequently exported for resale and consumption outside of New Mexico are exempt from the PPLF.

Statutory Basis: 7-13A-4(A) NMSA 1978

Intended Purpose: Presumably to properly define the tax base. Also, the loading fee typically supports environmental issues related to the storage of fuel in New Mexico.

History: Originally enacted in 1991.


PREMIUM TAX IN LIEU OF ALL OTHER TAXES EXCEPT PROPERTY TAX

- Brief Description:** Insurance companies, nonprofit health care plans, health maintenance organizations, prepaid dental plans, prearranged funeral plans, and insurance producers who are required to pay taxes, licenses, and fees under the Insurance Premium Tax Act and the Insurance Code are exempt from all other taxes, licenses, fees imposed by the state or a political subdivision with exceptions. These exceptions include the payment of property tax and income tax for insurance producers. “Insurance producers” is the equivalent term for “insurance agents.”
- Statutory Basis:** 59A-6-6 NMSA 1978
- Intended Purpose:** To avoid taxation under multiple programs as qualification for the exemption is dependent on paying premium taxes, licenses, or fees under the Insurance Premium Tax Act and the Insurance Code.
- History:** Original enacted in 1984 and amended in 1987, 1988, 2016 and 2018.

PROCESSORS TAX PAID ON NATURAL RESOURCES EXEMPTION FROM RESOURCES TAX

- Brief Description:** The taxable value of any natural resource that is processed in New Mexico and on whose taxable value the processors tax is paid is exempt from the resources tax.
- Statutory Basis:** 7-25-7 NMSA 1978
- Intended Purpose:** Presumably to avoid taxation under multiple tax programs, as the processors tax on the processed natural resource must be paid to qualify for the exemption.
- History:** Originally enacted in 1966.

PROCESSING NATURAL GAS DEDUCTION FROM OIL AND GAS EMERGENCY SCHOOL TAX

- Category:** Highly Specialized Industry
- Brief Description:** The reasonable expense of processing natural gas when the actual price is determined at a point other than the production unit is deductible from the Oil and Gas Emergency School Tax.
- Statutory Basis:** 7-31-6 NMSA 1978
- Intended Purpose:** Presumably to incentivize the production of natural gas in New Mexico.
- History:** Originally enacted in 1959 and amended in 2025. Regulations, including 3.18.6.10 NMAC, were enacted to set values for the products that are commensurate with the actual price received for products of like quality, character, and use which are severed in the same field or area.
- Evaluation:** In conjunction with factors such as natural gas prices and advances in exploration technology, this deduction has increased over time, in par with natural gas production. This deduction appears to be achieving its presumed purpose.
- Similar deductions exist in regulations under the Oil and Gas Conservation Tax Act, the Oil and Gas Ad Valorem Production Tax Act, and the Oil and Gas Severance Tax Act. The deductions in those statutes are considered non-expenditures because the incidence of the tax is on products severed. The product must be transported from the well to be processed and then sold in the marketplace. Once it reaches its point of sale, the product becomes taxable.
- Recommendations:** None
- Reliability Factor:**  1 – Processing deductions are separately reported by product type to the Department. No estimation is required.

Fiscal Impact:

Natural Gas Processing Deduction from Oil and Gas Emergency School Tax	Fiscal Year	2023	2024	2025
	Expenditure (thousands)		\$46,112	\$52,254

PRODUCTS ALREADY TAXED
EXEMPTION FROM OIL AND GAS AD VALOREM PRODUCTION TAX

Brief Description: The tax shall not be levied more than once on the same product.

Statutory Basis: 7-32-8 NMSA 1978

Intended Purpose: To avoid double taxation.

History: Originally enacted in 1959.

PRODUCTS ALREADY TAXED
EXEMPTION FROM OIL AND GAS CONSERVATION TAX

Brief Description: The tax shall not be levied more than once on the same product.

Statutory Basis: 7-30-8 NMSA 1978

Intended Purpose: To avoid double taxation.

History: Originally enacted in 1959 and amended in 1989.

PRODUCTS ALREADY TAXED
EXEMPTION FROM OIL AND GAS EMERGENCY SCHOOL TAX

Brief Description: The tax shall not be levied more than once on the same product.

Statutory Basis: 7-31-8 NMSA 1978

Intended Purpose: To avoid double taxation.

History: Originally enacted in 1959 and amended in 2025.

PRODUCTS ALREADY TAXED EXEMPTION FROM OIL AND GAS SEVERANCE TAX

Brief Description: The tax shall not be levied more than once on the same product.

Statutory Basis: 7-29-5 NMSA 1978

Intended Purpose: To avoid double taxation.

History: Originally enacted in 1959 and amended in 2025.

PRODUCTS SUBJECT TO OIL AND GAS EMERGENCY SCHOOL TAX EXEMPTION FROM GRT

Brief Description: Unless the sale of products is for: (1) subsequent resale in the ordinary course of business, (2) consumption outside the state, or (3) use as an ingredient or component part of a manufactured product, receipts from the sale of products are exempt from GRT when they are subject to the oil and gas emergency school tax.

The storage or use of crude oil, natural gas or liquid hydrocarbons for fuel in the operation of a production unit, as defined in the Oil and Gas Emergency School Tax Act, will not be subject to gross receipts tax or compensating tax.

Statutory Basis: 7-9-33 NMSA 1978

Intended Purpose: Presumably to avoid taxation under multiple tax programs, as the exemption only applies to those severed products that are subject to the tax imposed by the Oil and Gas Emergency School Tax Act.

History: Originally enacted in 1969 and amended in 1975, 1984, and 1989.

PURCHASE FOR RESALE EXEMPTION FROM LOCAL LIQUOR EXCISE TAX

Brief Description: Purchases for sale to retailers for resale are exempt from the local liquor excise tax.

Statutory Basis: 7-24-13 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding and define the tax base.

History: Originally enacted in 1989.


PURCHASE OF UNDYED GASOLINE FOR CERTAIN OFF-ROAD USE REFUND OF GASOLINE TAX

- Brief Description:** A person using gasoline in the operation of a clothes cleaning establishment, in stoves or other appliances burning gasoline, or operators of aircraft using aviation gasoline exclusively in the operation of aircraft may purchase undyed gasoline and may claim a refund of gasoline tax paid.
- Statutory Basis:** 7-13-17 NMSA 1978
- Intended Purpose:** Presumably to recognize that these activities do not contribute to the deterioration of the roads, the maintenance of which is funded through the gasoline tax distributions to the State Road Fund.
- History:** Originally enacted in 1998.

PURCHASES BY OR ON BEHALF OF THE STATE GRT DEDUCTION

- Brief Description:** Receipts from the sale of property or services purchased by or on behalf of the State of New Mexico from funds obtained from the forfeiture of financial assurance pursuant to the New Mexico Mining Act or the forfeiture of financial responsibility pursuant to the Water Quality Act are deductible from gross receipts.
- Statutory Basis:** 7-9-97 NMSA 1978
- Intended Purpose:** Presumably to relieve mining companies from the obligation to estimate (and potentially overpay) the GRT cost incurred by a third-party contractor that would complete the reclamation work on behalf of the state in the event the company failed to conduct the reclamation work.
- History:** Originally enacted in 2005.

REASONABLE EXPENSE OF TRUCKING PRODUCT TO MARKET DEDUCTION FROM OIL AND GAS EMERGENCY SCHOOL TAX

- Category:** Highly Specialized Industry
- Brief Description:** The reasonable expense of trucking any product from the production unit to the first place of market is deductible from the Oil and Gas Emergency School Tax.
- Statutory Basis:** 7-31-5(C) NMSA 1978
- Intended Purpose:** Presumably to incentivize the production of oil in New Mexico.
- History:** Originally enacted in 1959 and amended in 1963.
- Evaluation:** In conjunction with factors such as oil prices and advances in oil exploration technology, this deduction has increased over time, in par with oil production. This deduction appears to be achieving its presumed purpose.
- Similar deductions exist under the Oil and Gas Conservation Tax Act, the Oil and Gas Ad Valorem Production Tax Act, and the Oil and Gas Severance Tax Act. The deductions in those statutes are considered non-expenditures because the incidence of the tax is on products severed. The product must be transported from the well to be processed and then taken to the market place. Once it reaches its point of sale, the product becomes taxable.
- Recommendations:** None.
- Reliability Factor:**  1 - Transportation deductions are separately reported by product type. No estimation is required.

Fiscal Impact:

Oil Transportation Deduction from Oil and Gas Emergency School Tax	Fiscal Year	2023	2024	2025
	Expenditure (thousands)	\$5,534	\$5,790	\$4,086

**REASONABLE EXPENSE OF TRUCKING PRODUCT TO MARKET
DEDUCTION FROM OIL AND GAS SEVERANCE TAX, OIL AND GAS
CONSERVATION TAX, AND OIL AND GAS AD VALOREM
PRODUCTION TAX**

- Brief Description:** The reasonable expenses of trucking any product from the production unit to the first place of market is deductible from the Oil and Gas Severance and the Oil and Gas Conservation taxes
- Statutory Basis:** 7-29-4.1C , 7-30-5A(3), and 7-32-A(3) NMSA 1978
- Intended Purpose:** Presumably to define the tax base as under these statutes the incidence of the tax is on the product severed. The point of sale where the product becomes taxable is at a location other than the wellhead, which requires the associated transportation costs.
- History:** 7-29-4.1(C) was originally enacted in 1980 and amended in 1989 and 2005.
7-30-5A(3) was originally enacted in 1959 and amended in 1975, 1977, 1980, and 1985.
7-32-5A(3) was originally enacted in 1959 and amended in 1972.

**RECEIPTS OF THE FEDERAL GOVERNMENT, STATE GOVERNMENT,
INDIAN NATION, OR FOREIGN NATION EXEMPTION FROM GRT**

- Brief Description:** Exempted from GRT are the receipts of the United States or any associated agency, the state of New Mexico and associated subdivisions, any Indian nation, tribe or pueblo from transactions occurring on its sovereign territory and any foreign nation when required by a treaty with the United States. The exemption excludes receipts from the sale of gas or electricity by a utility owned by a local government or subdivision of the state, as well as receipts from the operation of a cable television system owned or operated by a municipality. These receipts are subject to the gross receipts tax.
- Statutory Basis:** 7-9-13 NMSA 1978
- Intended Purpose:** To establish the tax base and avoid double taxation with the Governmental Gross Receipts Tax where applicable. In addition, the State is preempted from imposing taxes on the U.S. government, Indian nations, tribes or pueblos, or foreign nations.
- History:** Originally enacted in 1969 and amended in 1991, 1993, 1994 and 1998.

REFINERS AND PERSONS SUBJECT TO NATURAL GAS PROCESSORS TAX EXEMPTION FROM GRT AND COMPENSATING TAX

Brief Description: Unless the sale or processing of products are for (1) subsequent resale in the ordinary course of business, (2) consumption outside the state, or (3) use as an ingredient or component part of a manufactured product, receipts from the sale or processing of products that are subject to the natural gas processors tax are exempt from the GRT.

Receipts from storing or using crude oil, natural gas, or liquid hydrocarbons when stored or used in New Mexico by a "processor" or by a person engaged in the business of refining oil, natural gas, or liquid hydrocarbons who stores or uses the crude oil, natural gas, or liquid hydrocarbons in the regular course of his refining business are exempt from GRT and compensating tax.

Statutory Basis: 7-9-34 NMSA 1978

Intended Purpose: Presumably to define the tax base with respect to the first part of the exemption which only applies to the sale or processing of products the processing of which is subject to the natural gas processors tax. The second part of the exemption is presumably to reduce tax pyramiding.

History: Originally enacted in 1969 and amended in 1970, 1975, 1984, and 1989.

RELIGIOUS ACTIVITIES EXEMPTION FROM GRT

Brief Description: Receipts of a minister of a 501(c)(3) religious organization from performing religious services to an individual recipient of the service are exempt from GRT.

Statutory Basis: 7-9-41 NMSA 1978

Intended Purpose: Presumably to prevent taxation of expenses that are effectively business inputs of a 501(c)(3) religious organization.

History: Originally enacted in 1972.

RESALE ACTIVITIES OF AN ARMED FORCES INSTRUMENTALITY EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** Receipts from selling tangible personal property and the use of property by any instrumentality of the armed forces of the United States engaged in resale activities are exempt from GRT and compensating tax.
- Statutory Basis:** 7-9-31 NMSA 1978
- Intended Purpose:** To comply with the federal preemption doctrine and to reduce tax pyramiding.
- History:** Originally enacted in 1969.

RETURNED OR DESTROYED TOBACCO PRODUCTS REFUND OR CREDIT AGAINST TOBACCO PRODUCTS TAX

- Brief Description:** Taxpayers who have paid the tobacco products tax on tobacco products that are destroyed or returned to the seller by the first purchaser as spoiled or otherwise unfit for sale or consumption are entitled to a refund or credit against the tobacco products tax.
- Statutory Basis:** 7-12A-6 NMSA 1978
- Intended Purpose:** Presumably to define the tax base and avoid requiring a taxpayer to pay taxes on unusable tobacco products that have no value.
- History:** Originally enacted in 1986 and amended in 1988.

ROYALTIES PAID OR DUE TO THE US, STATE OF NM, OR ANY
INDIAN TRIBE, PUEBLO, OR WARD OF THE US
DEDUCTION FROM OIL AND GAS SEVERANCE TAX, OIL AND GAS
CONSERVATION TAX, OIL AND GAS EMERGENCY SCHOOL TAX, AND
OIL AND GAS AD VALOREM PRODUCTION TAX

Brief Description:	Royalties paid or due the United States, any Indian tribe, Indian pueblo, or Indian that is a ward of the United States of America, or the state of New Mexico may be deducted from the value of the product severed.
Statutory Basis:	7-29-4.1A, 7-29-4.1B, 7-30-5A(1), 7-30-5A(2), 7-31-5A, 7-31-5B, 7-32-5A(1) and 7-32-5A(2) NMSA 1978
Intended Purpose:	Because the State is preempted from imposing taxes on the U.S. government, Indian Tribes or Pueblos, and to prevent the State from taxing itself.
History:	<p>7-29-4.1A and 7-29-4.1B were originally enacted in 1980 and amended in 1989 and 2005.</p> <p>7-30-5A(1) and 7-30-5A(2) were originally enacted in 1959 and amended in 1975, 1977, 1980, 1985, and 2005.</p> <p>7-31-5A and 7-31-5B were originally enacted in 1959 and amended in 1963.</p> <p>7-32-5A(1) and 7-32-5A(2) were originally enacted in 1959 and amended in 1972.</p>

SALE OF A SERVICE FOR RESALE GRT AND GGRT DEDUCTION

Brief Description: Receipts from selling a service for resale are deductible from gross receipts or governmental gross receipts.

Statutory Basis: 7-9-48 NMSA 1978

Intended Purpose: Presumably to define the tax base and avoid tax pyramiding.

History: Originally enacted in 1969 and amended in 1992, 2000, and 2021.

The 2000 amendment clarified that the resale must be subject to the GRT or GGRT to qualify for the deduction and removed the requirement that the buyer separately state the value of the service purchased in the buyer's charge for the service on its subsequent sale.

The 2021 amendment clarifies that, in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

SALE OF A SERVICE FOR RESALE DEDUCTION FROM ITGRT

Brief Description: Receipts from providing an interstate telecommunications service that will be used by other persons in providing telephone or telegraph services to the final user are deductible from interstate telecommunications gross receipts.

Statutory Basis: 7-9C-7 NMSA 1978

Intended Purpose: Presumably to define the tax base.

History: Originally enacted in 1992 and amended in 1998 and 2025.

SALE OF ALTERNATIVE FUEL TO THE FEDERAL GOVERNMENT OR NEW MEXICO TRIBES EXEMPTION FROM ALTERNATIVE FUEL EXCISE TAX

- Brief Description:** Alternative fuel distributed to or used by the United States government, or Indian nation, tribe or pueblo, is exempt from the imposition of the alternative fuel excise tax.
- Statutory Basis:** 7-16B-5 (A) and (C) NMSA 1978
- Intended Purpose:** Presumably to comply with the federal preemption doctrine and to address multi-jurisdictional taxation as the Indian nation, tribe or pueblo, may impose a tax on alternative fuel.
- History:** Originally enacted in 1995.

SALE OF CERTAIN TELECOMMUNICATIONS SERVICES EXEMPTION FROM GRT

- Brief Description:** Exempted from GRT are the receipts of a home service provider from selling mobile telecommunications services to persons whose place of primary use is outside New Mexico, regardless of where the services originate, terminate, or pass through.
- Statutory Basis:** 7-9-38.2 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation.
- History:** Originally enacted in 2002.

**SALE OF GASOLINE AT RETAIL
BY A REGISTERED INDIAN TRIBAL DISTRIBUTOR
DEDUCTION FROM GASOLINE TAX**

Brief Description: Gasoline received in New Mexico and sold at retail by a registered Indian tribal distributor is deductible from the gasoline tax to the extent it's taxed by the Indian nation, tribe, or pueblo, if:

- (1) the sale occurs on the distributor's Indian reservation, pueblo grant, or trust land,
- (2) the gasoline is placed into the fuel supply tank of a motor vehicle on that reservation, pueblo grant, or trust land, and
- (3) the Indian nation, tribe, or pueblo has certified that it has in effect an excise, privilege, or similar tax on the gasoline

Statutory Basis: 7-13-4(E) NMSA 1978

Intended Purpose: To prevent or reduce the effects of multi-jurisdictional taxation.

History: The section was originally enacted in 1991 and amended in 1997, 1998, 1999 and 2007.

The language in this subsection was created by an amendment in 1999.

**SALE OF GASOLINE BY A REGISTERED INDIAN TRIBAL
DISTRIBUTOR FROM A NON-MOBILE STORAGE CONTAINER
DEDUCTION FROM GASOLINE TAX**

Brief Description: Gasoline received in New Mexico and sold by a registered Indian tribal distributor from a non-mobile storage container within the distributor's Indian reservation, pueblo grant, or trust land for resale outside the Indian reservation, pueblo grant, or trust land is deductible from the gasoline tax as long as the distributor sold at least 1 million gallons of gasoline between May and August 1998 and that the amount of gasoline deducted by a registered Indian tribal distributor doesn't exceed 2.5 million gallons per month.

Statutory Basis: 7-13-4(F) NMSA 1978

Intended Purpose: Presumably to prevent and reduce the effects of multi-jurisdictional taxation.

History: The section was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.

The language in this subsection was created by an amendment in 1999.

SALE OF GASOLINE TO THE FEDERAL GOVERNMENT OR NEW MEXICO TRIBES DEDUCTION FROM GASOLINE TAX

- Brief Description:** Receipts from gasoline received in New Mexico, sold to the United States, Indian nation, tribe or pueblo, may be deducted from the gasoline tax.
- Statutory Basis:** 7-13-4 (B) and (C) NMSA 1978
- Intended Purpose:** Presumably to comply with the federal preemption doctrine.
- History:** Originally enacted in 1991.

SALE OF SPECIAL FUEL SOLD TO THE FEDERAL GOVERNMENT OR NEW MEXICO TRIBES DEDUCTION FROM SPECIAL FUEL EXCISE TAX

- Brief Description:** Special fuel sold to the United States government, Indian nation, tribe or pueblo, may be deducted from the total amount of special fuel excise tax.
- Statutory Basis:** 7-16A-10 (B) and 7-16A-10 (D) NMSA 1978
- Intended Purpose:** Presumably to comply with the federal preemption doctrine and to address multi-jurisdictional taxation as the Indian nation, tribe or pueblo, may impose a tax on alternative fuel.
- History:** Originally enacted in 1992 and amended in 1993, 1997, and 1998.

SALE OF TANGIBLE PERSONAL PROPERTY FOR LEASING GRT DEDUCTION

- Brief Description:** Receipts from selling tangible personal property and licenses to a buyer who leases or sells the tangible personal property or license are deductible from gross receipts.
- The buyer must present a non-taxable transaction certificate or alternative evidence to the seller.
- Statutory Basis:** 7-9-49 NMSA 1978
- Intended Purpose:** Presumably to define the tax base and avoid tax pyramiding.
- History:** Originally enacted in 1969 and amended in 1972, 1975, 1979, 1983, 1989, 1991, 1992, and 2021.
- The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

SALE OF TANGIBLE PERSONAL PROPERTY FOR RESALE GRT AND GGRT DEDUCTION

- Brief Description:** Receipts from selling tangible personal property or licenses to a buyer who resells the tangible personal property or license are deductible from gross receipts or from governmental gross receipts.
- The buyer must present a non-taxable transaction certificate or alternative evidence to the seller.
- Statutory Basis:** 7-9-47 NMSA 1978
- Intended Purpose:** Presumably to define the tax base and avoid tax pyramiding.
- History:** Originally enacted in 1969 and amended in 1992, 1994, and 2021.
- The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

SALES OF TANGIBLE PERSONAL PROPERTY OR SERVICES EXEMPTION FROM GGRT

Brief Description: Receipts from transactions involving tangible personal property or services that are subject to GRT, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the boat excise tax imposed under 66-12-6.1 NMSA 1978 are exempt from GGRT.

Statutory Basis: 7-9-13.2 NMSA 1978

Intended Purpose: To avoid double taxation.

History: Originally enacted in 1992 and amended in 1993, adding the special fuel excise tax.

SALES TO MANUFACTURERS GRT AND GGRT DEDUCTION

Brief Description: Receipts from selling tangible personal property that will be incorporated as an ingredient or component part to a person in the manufacturing business are deductible from gross receipts and governmental gross receipts. (7-9-46(A))

Receipts from selling a manufacturing consumable to a person in the manufacturing business or a manufacturing service provider are deductible from gross receipts and governmental gross receipts. (7-9-46(B))

Receipts from selling or leasing qualified equipment to a person in the manufacturing business or a manufacturing service provider are deductible from gross receipts and governmental gross receipts. (7-9-46(C))


Statutory Basis: 7-9-46 NMSA 1978

Intended Purpose: The purpose of the deductions is to encourage manufacturing businesses to locate in New Mexico and to reduce the tax burden, including reducing pyramiding, on the tangible personal property that is consumed in the manufacturing process and that is purchased by manufacturing businesses in New Mexico.

History: Originally enacted in 1969 and amended in 1992, 2012, 2013, 2021, 2023, and 2025.

The 2013 amendment defined the term “consumable.”

One 2021 amendment clarified that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction, and expanded the deduction to include manufacturing services and the selling and leasing of manufacturing equipment. The 2023 amendment further clarified when alternative evidence may be used. The 2025 amendment revised reporting requirements.

Reliability Factor:  2 - This deduction is separately reported. No estimation is required. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. Tax & Rev will be further analyzing this data and taxpayer reporting of GRT deductions.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Sales to Manufacturers GRT Deduction - Total	Taxpayers	919	2,882	2,509
	State General Fund Expenditure (thousands)	\$90,601	\$200,788	\$269,721
	Local Government Expenditure (thousands)	\$58,699	\$131,592	\$176,769
	Taxpayers	544	1,562	1,406
GRT Deduction - Ingredient or Component (Subsection A.)	State General Fund Expenditure (thousands)	\$39,930	\$100,504	\$136,117
	Local Government Expenditure (thousands)	\$25,870	\$65,868	\$89,208
	Taxpayers	286	833	720
GRT Deduction - Consumable (Subsection B.)	State General Fund Expenditure (thousands)	\$48,996	\$89,598	\$121,602
	Local Government Expenditure (thousands)	\$31,744	\$58,721	\$79,696
	Taxpayers	89	487	383
GRT Deduction - Selling or leasing of equipment (Subsection C.)	State General Fund Expenditure (thousands)	\$1,675	\$10,686	\$12,001
	Local Government Expenditure (thousands)	\$1,085	\$7,003	\$7,865

SCHOOL BUS DEDUCTION FROM SPECIAL FUEL EXCISE TAX

- Brief Description:** Special fuel (number 2 diesel) used in school buses that are contracted with the Public Education Department is deductible from computing the special fuel excise tax due.
- Statutory Basis:** 7-16A-10(F) NMSA 1978
- Intended Purpose:** Presumably to define the tax base.
- History:** Originally enacted in 1992, 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

SCHOOL BUS EXEMPTION FROM WEIGHT DISTANCE TAX

- Brief Description:** Use of the highways of New Mexico by school buses is exempt from the WDT.
- Statutory Basis:** 7-15A-5(A) NMSA 1978
- Intended Purpose:** Presumably to define the tax base.
- History:** Originally enacted in 1988 and amended in 2006.

SERVICES ON MANUFACTURED PRODUCTS GRT DEDUCTION

- Brief Description:** Receipts from selling the service of combining or processing components or materials to a manufacturer are deductible from gross receipts. The service must be performed directly upon the tangible personal property the buyer is in the business of manufacturing or upon the ingredient or component parts thereof.
- The buyer must present a non-taxable transaction certificate to the seller.
- Statutory Basis:** 7-9-75 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding as the service must be performed directly upon tangible personal property for a manufacturer as part of the readying of raw materials or in the manufacturing process.
- History:** Originally enacted in 1972.

SERVICES PERFORMED OUTSIDE THE STATE CREDIT AGAINST INTERSTATE TELECOMMUNICATIONS GRT

- Brief Description:** A taxpayer who has paid a sales, use, gross receipts, or similar tax to another state on the same interstate telecommunications gross receipts that are subject to New Mexico's ITGRT is entitled to a credit against the ITGRT.
- Statutory Basis:** 7-9C-10 NMSA 1978
- Intended Purpose:** To comply with U.S. Commerce Clause concerns and prevent actual multi-jurisdictional taxation of the privilege of engaging in the business of providing interstate telecommunications services.
- History:** Originally enacted in 1992.

STOCK BONUS, PENSION, AND PROFIT-SHARING TRUSTS EXEMPTION FROM PIT AND CIT

- Brief Description:** A trust organized or created in the U.S. and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of employees or beneficiaries, which is exempt from taxation under the provisions of the Internal Revenue Code, is exempt from PIT and CIT.
- Statutory Basis:** 7-2-4(A) and 7-2A-4(B) NMSA 1978
- Intended Purpose:** To define the tax base.
- History:** The PIT exemption was originally enacted in 1965 and amended in 1969, 1971, and 1981.
- The CIT exemption was originally enacted in 1981 and amended in 1986 and 1989.

STADIUM SURCHARGE EXEMPTION FROM GRT AND GGRT

Brief Description: Receipts from sales at a minor league baseball stadium for which a stadium surcharge is imposed under the Minor League Baseball Stadium Funding Act are exempt from gross receipts tax and governmental gross receipts tax.

Statutory Basis: 7-9-13.3 NMSA 1978

Intended Purpose: Presumably to avoid taxation under multiple tax programs.

History: Originally enacted in 2001 as part of the legislation that enacted the Minor League Baseball Stadium Funding Act.

Evaluation: The Minor League Baseball Stadium Funding Act provides an additional method of accessing the capital markets with the assistance of the New Mexico Finance Authority to meet the need for a complete funding package for functional and modern minor league baseball stadiums. Because the Minor League Baseball Stadium Funding Act allows a municipality to impose a stadium surcharge on products and services sold at or related to the stadium, this exemption from the GRT prevents these from being taxed twice.

Isotopes Park, home of the Albuquerque Isotopes, was constructed from 2001 to 2003 at a reported cost of \$25 million. The park opened in April of 2003.

**SUPPLEMENTAL
NUTRITION ASSISTANCE PROGRAM
EXEMPTION FROM GRT**

Brief Description: Receipts of retailers from the redemption of Supplemental Nutrition Assistance Program (SNAP) benefits are exempt from GRT.


Statutory Basis: 7-9-18.1 NMSA 1978

Intended Purpose: This program is not considered a tax expenditure because the Code of Federal Regulations Title 7, Subtitle B, Chapter II C, §278.2 prohibits the state from taxing food purchased with SNAP benefits. The intended purpose is to lower the cost of food for those who qualify and redeem SNAP benefits.

History: Originally enacted in 1987 and amended in 2025 to reflect the current name of the Supplemental Nutrition Assistance Program.

Evaluation: To comply with the federal preemption doctrine. This exemption only applies when a SNAP recipient does not buy food from one of 1,541 qualified SNAP points of sale in the state. Because of this, the estimated amount for this exemption are relatively small when compared to the total amount of SNAP benefits as reported by HCA.

Recommendations: None.

Reliability Factor:  3 – Using expenditure and case number data from HCA between FY2023 and FY2025, the annual average GRT rate was applied to the annual dollar amounts of SNAP expenditures. To estimate the amounts of these expenditures, Tax & Rev assumed a 4% exemption rate. This exemption applies when SNAP benefits are used to purchase food from a qualified food retail store. Therefore, receipts under Section 7-9-92 NMSA 1978 may not be deducted if they are exempted by Section 7-9-18.1 NMSA 1978.

Fiscal Impact:

SNAP Exemption from GRT	Fiscal Year	2023	2024	2025
	Expenditure (thousands)		\$4,197	\$2,855

TANGIBLE PERSONAL PROPERTY EXEMPTION FROM PROPERTY TAX

- Brief Description:** With certain exceptions, tangible personal property owned by a person is exempt from property taxation. Exceptions include among other things, livestock, manufactured homes and tangible personal property used for the purpose of a person's profession, business or occupation.
- Statutory Basis:** 7-36-8 NMSA 1978
- Intended Purpose:** Presumably to define the tax base for property tax.
- History:** Originally enacted in 1973 and amended in 1974, 1975, 1983, 1991, 1992, 1993, and 1995.

TAX PAID BY OUT-OF-STATE TERMINAL DEDUCTION FROM GASOLINE TAX AND SPECIAL FUEL EXCISE TAX

- Brief Description:** Gasoline and special fuel received in New Mexico on which the New Mexico gasoline tax or special fuel excise tax was paid by the out-of-state terminal at which the gasoline or special fuel was loaded are deductible from computing the gasoline tax or special fuel excise tax due.
- Statutory Basis:** 7-13-4(G) and 7-16A-10(G) NMSA 1978
- Intended Purpose:** Presumably to avoid taxation under multiple tax regimes as it is only deductible if the gasoline tax or special fuel excise tax was paid by the out-of-state terminal at which the gasoline was loaded.
- History:** The gasoline tax section was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.
- The special fuel excise tax section was originally enacted in 1992 and amended in 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.
- The subsections containing the gasoline tax and the special fuel excise tax deductions discussed here were created by an amendment in 2007.

TAX PAID IN ANOTHER STATE FOR PROPERTY AND SERVICES CREDIT AGAINST GRT AND COMPENSATING TAX

- Brief Description:** The amount of gross receipts, sales, compensating, or similar tax paid to another state on property acquired in that state or another state for use in New Mexico or on services performed outside this state may be credited against the amount of compensating tax due to New Mexico on the use of the property or the GRT due on the services performed outside New Mexico.
- Statutory Basis:** 7-9-79 and 7-9-79.1 NMSA 1978
- Intended Purpose:** Presumably to address U.S. Commerce Clause concerns and prevent multi-jurisdictional taxation as gross receipts, sales, compensating, or similar tax must have been levied on the property or services to qualify for the credit.
- History:** The compensating tax credit for property was originally enacted in 1966 and amended in 1973, 1991 and 2021. The 2021 amendment adds services for the compensating credit.
- The GRT credit for services was originally enacted in 1989 and amended in 1994.

TAX PAID ON ALCOHOLIC BEVERAGES DESTROYED IN SHIPMENT, SPOILED, OR OTHERWISE DAMAGED REFUND OF OR CREDIT AGAINST LIQUOR EXCISE TAX AND LOCAL LIQUOR EXCISE TAX

- Brief Description:** Taxpayers are entitled to a refund or credit for taxes paid pursuant to the liquor excise tax and the local liquor excise tax on alcoholic beverages that are unsaleable and not consumable because they are destroyed in shipment, spoiled, or damaged.
- Statutory Basis:** 7-17-11 and 7-24-14 NMSA 1978
- Intended Purpose:** Presumably to define the tax base, by avoiding taxation of a product that is not available to be sold.
- History:** The liquor excise tax provision was originally enacted in 1968 and amended in 1969, 1971, 1973, 1977, 1984, and 1995.
- The local liquor excise tax provision was originally enacted in 1989.

**TAX PAID ON GASOLINE OR SPECIAL FUEL DESTROYED BY FIRE,
ACCIDENT OR ACTS OF GOD BEFORE RETAIL SALE
REFUND OF OR CREDIT AGAINST GASOLINE TAX AND SPECIAL
FUEL EXCISE TAX**

- Brief Description:** A taxpayer is entitled to a refund of, or credit against, the gasoline tax and special fuel excise tax paid on gasoline and special fuel that is destroyed by fire, accident, or acts of God while in the possession of the distributor, wholesaler, or retailer.
- Statutory Basis:** 7-13-11 and 7-16A-13 NMSA 1978
- Intended Purpose:** Presumably to ensure that tax isn't paid on gasoline and special fuel which the taxpayer is unable to market.
- History:** The gasoline tax credit and refund section was originally enacted in 1971 and amended in 1983, 1993 and 2015.
- The special fuel excise tax credit and refund section was originally enacted in 1992 and amended in 2015.

**TAX PAID ON SPECIAL FUEL IN CERTAIN CIRCUMSTANCES
REFUND OF SPECIAL FUEL EXCISE TAX**

- Brief Description:** A taxpayer is entitled to a refund of the special fuel excise tax paid on special fuel used:
- (1) in a school bus authorized by contract with the Public Education Department,
 - (2) to propel a vehicle off-road,
 - (3) to operate auxiliary equipment by a power take-off from the main engine or transmission of a vehicle, or
 - (4) to operate a non-automotive apparatus vehicle.
- Statutory Basis:** 7-16A-13.1 NMSA 1978
- Intended Purpose:** Presumably, in the case of the school bus refund, to reduce the costs to the government and to recognize that the other activities do not contribute to the deterioration of the roads, the maintenance of which is funded through the special fuel excise tax distributions to the State Road Fund.
- History:** Originally enacted in 2001 and amended in 2005 and 2006.

TAX PAID TO ANOTHER STATE CREDIT AGAINST MVX

- Brief Description:** A vehicle that has been acquired through an out-of-state transaction upon which a gross receipts, sales, compensating, or similar tax was paid may be credited against the MVX due to New Mexico on the same vehicle.
- Statutory Basis:** 7-14-7(A) NMSA 1978
- Intended Purpose:** Presumably to prevent multi-jurisdictional taxation.
- History:** Originally enacted in 1988.

TAX PAID TO ANOTHER STATE DEDUCTION FROM GASOLINE TAX AND SPECIAL FUEL EXCISE TAX

- Brief Description:** A taxpayer may deduct gasoline and special fuel when computing the gasoline tax and special fuel excise tax if it is exported from New Mexico by a rack operator, distributor, or wholesaler as long as:
- (1) the person exporting the gasoline and special fuel is registered in or licensed by the destination state to pay that state's gasoline or equivalent fuel tax,
 - (2) proof is submitted that the destination state's gasoline, special fuel, or equivalent fuel tax has been paid or is not due, or
 - (3) the destination state's gasoline, special fuel, or equivalent fuel tax is paid to New Mexico in accordance with the terms of an agreement with the destination state.
- Statutory Basis:** 7-13-4(A) and 7-16A-10(A) NMSA 1978
- Intended Purpose:** Presumably to prevent multi-jurisdictional taxation as the deduction is only available if proof is submitted that the destination state's gasoline tax was paid or is not due.
- History:** The gasoline tax deduction was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.
- The special fuel excise tax deduction was originally enacted in 1992 and amended in 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

TAX PAID TO ANOTHER STATE CREDIT AGAINST ESTATE TAX

Brief Description: A credit against the estate tax is available when any property of a resident is subject to an estate tax imposed by another state when the other state's tax does not have a reciprocal provision. The credit amount would be for the lesser of:

- (1) the amount of the estate tax paid to the other state and credited against the federal estate tax, or
- (2) an amount computed by multiplying the federal credit by the percentage of the estate the property represents.

Statutory Basis: 7-7-3(B) NMSA 1978

Intended Purpose: Presumably to prevent multi-jurisdictional taxation, as it is only available to the extent that taxes were paid to another state.

History: Originally enacted in 1973.

TAX PAID TO NAVAJO NATION FOR SELLING COAL SEVENTY-FIVE PERCENT CREDIT AGAINST GRT

Brief Description: A taxpayer is entitled to a credit against the GRT for 75% of the amount of tax paid to the Navajo Nation on the receipts from selling the coal severed from Navajo Nation land.

Statutory Basis: 7-9-88.2 NMSA 1978

Intended Purpose: To recognize the sovereignty of Indian nations, tribes, and pueblos and to address issues with multi-jurisdictional taxation.

History: Originally enacted in 2001.

TAX PAID TO NEW MEXICO TRIBES CREDIT AGAINST MVX

- Brief Description:** A taxpayer may receive a credit against MVX if a vehicle is purchased on reservation, trust land, or within an Indian nation, tribe or pueblo upon which a gross receipts, sales, compensating or similar tax was levied by the Indian nation, tribe or pueblo. The amount of tax paid may be credited against the MVX due on the same vehicle.
- Statutory Basis:** 7-14-7(B) NMSA 1978
- Intended Purpose:** Presumably to address multi-jurisdictional taxation as the credit may only be taken if the Indian nation, tribe or pueblo has levied a tax on the sale of a vehicle.
- History:** Originally enacted in 2022.

TAX PAID TO NEW MEXICO TRIBES EXEMPTION FROM ITGRT

- Brief Description:** Excluded from the definition of “interstate telecommunications gross receipts” are gross receipts or sales taxes imposed by Indian nations, tribes, or pueblos as long as the Indian nation, tribe, or pueblo tax provides a reciprocal exclusion for GRT imposed by New Mexico.
- Statutory Basis:** 7-9C-2(E)(2) NMSA 1978
- Intended Purpose:** Presumably to avoid multi-jurisdictional taxation.
- History:** Originally enacted in 1992 and amended in 1993 and 2002.

TAX PAID TO NEW MEXICO TRIBES SEVENTY-FIVE PERCENT CREDIT AGAINST GRT

- Brief Description:** A taxpayer is entitled to a credit against the GRT for 75% of the amount of tax paid to any of the 19 New Mexico Pueblos, the Jicarilla Apache Nation or the Mescalero Apache Tribe on taxable transactions taking place on tribal lands. The tax levied by the tribe must be similar in nature to GRT, does not discriminate by transaction and provides a credit against the tribe's tax equal to the lesser of 25% of the tax imposed by the tribe or the amount of revenue produced by total state and local GRT rates imposed on the same transaction.
- Statutory Basis:** 7-9-88.1 NMSA 1978
- Intended Purpose:** Presumably to prevent multi-jurisdictional taxation.
- History:** Originally enacted in 1999 and amended in 2000, 2001, 2003 and 2023.
- The 2023 amendment removed the limitation on the tax levied by the tribe that is must be at a rate not greater than the total of the state and local option gross receipts tax rates applicable to the transaction within the boundaries of the tribe.

TAXES PAID TO OTHER STATES CREDIT AGAINST PIT

- Brief Description:** When a resident individual is liable to another state for tax upon income derived from sources outside New Mexico but also included in net income allocated or apportioned to New Mexico, the individual is entitled to a credit against the tax due to New Mexico in the amount of the tax paid to the other state.
- Statutory Basis:** 7-2-13 NMSA 1978
- Intended Purpose:** To prevent multi-jurisdictional taxation.
- History:** Originally enacted in 1965 and amended in 1970, 1973, 1974, 1981, 1990, 1992, and 2013.
- The 2013 amendment limited the tax credit paid to the amount of tax liability in New Mexico.

TELECOMMUNICATION PROVIDERS DEDUCTION FROM INTERSTATE TELECOMMUNICATIONS GRT

- Brief Description:** Receipts from interstate telecommunications services that are provided by a corporation to itself or to an affiliated corporation may be deducted from interstate telecommunications gross receipts.
- Statutory Basis:** 7-9C-8 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding.
- History:** Originally enacted in 1992 and amended in 1993.

TRADE-IN ALLOWANCE GRT, MVX, AND DEDUCTIONS

- Brief Description:** Receipts from a trade-in of tangible personal property of the same type being sold are deductible from gross receipts; allowances granted for vehicle trade-ins are deductible from the price paid or the reasonable value of the vehicle purchased in calculating the MVX and the LVGRT.
- Statutory Basis:** 7-9-71, 7-14-4 and 7-14A-8 NMSA 1978
- Intended Purpose:** Presumably to properly define the tax base.
- History:** The GRT deduction was originally enacted in 1969 and amended in 1979, and 1991.
- The MVX deduction was originally enacted in 1988.
- The LVGRT deduction was originally enacted in 1991.

TRANSACTIONS IN INTERSTATE COMMERCE GRT AND GGRT DEDUCTION

- Brief Description:** Receipts from certain transactions in interstate commerce and from sales of radio or television broadcast time if the ultimate buyer is a national or regional advertiser are deductible from gross receipts and governmental gross receipts.
- Statutory Basis:** 7-9-55 NMSA 1978
- Intended Purpose:** To comply with federal law regarding taxation of interstate commerce. U.S. Supreme Court precedent establishes the limitations on the ability of states to impose their tax on interstate commerce under the U.S. Constitution, and this deduction is based on that precedent.
- History:** Originally enacted in 1969 and amended in 1986 and 1993.

TRANSACTIONS IN INTRASTATE TRANSPORTATION AND SERVICES IN INTERSTATE COMMERCE GRT DEDUCTION

- Brief Description:** Receipts incurred when transporting persons or property on an intrastate basis and under a single contract for transportation in interstate or foreign commerce (including handling, storage, drayage, or packing of property or other accessorial services on property) are deductible from gross receipts.
- Receipts from telephone access charges paid by other telephone carriers are deductible.
- Statutory Basis:** 7-9-56 NMSA 1978
- Intended Purpose:** Presumably to address U.S. Commerce Clause concerns.
- With regard to the telephone service portion of the deduction, the intended purpose is presumably to prevent double taxation, and to comply with federal law.
- History:** Originally enacted in 1994.

TRANSPORTATION FROM WITHIN THE MUNICIPALITY TO OUTSIDE
THE MUNICIPALITY
EXEMPTION FROM LOCAL OPTION GRT

Brief Description: The transporting of persons or property for hire by any means from one point within the municipality (or county) to another point outside the municipality (or county) were exempt from the supplemental municipal GRT and the municipal local option GRT.

Statutory Basis: 7-19-14(A) and 7-19D-5(A) NMSA 1978


Intended Purpose: Presumably to resolve a jurisdictional question and provide certainty about the tax rate that applies in this situation.

History: The supplemental municipal GRT exemption was originally enacted in 1979 and amended in 1983, 1994 and 2019.

The municipal and county local option GRTs exemptions were originally enacted in 1993 and amended in 1994 and 2019.

The 2025 amendment removed certain obsolete language; deleted subsection designations "A" and "B"; and after "receipts arising from" deleted "prior to July 1, 2021."

TRANSPORTATION OF NATURAL GAS DEDUCTION FROM OIL AND GAS EMERGENCY SCHOOL TAX

Category:	Highly Specialized Industry
Brief Description:	<p>When the actual sale price of natural gas is determined away from the production unit, producers may deduct reasonable transportation costs from the taxable value under the Oil and Gas Emergency School Tax.</p> <p>This transportation adjustment includes: gathering and pipeline charges, fuel gas, and compression costs downstream of the production unit.</p> <p>Transportation must actually occur to qualify for the deduction. If payment is made in product rather than money, its value must be reported as both sale proceeds and a transportation deduction.</p> <p>For affiliated transactions, deductions must follow one of three benchmarks:</p> <ul style="list-style-type: none">(1) A regulated tariff;(2) An arm's-length transaction from non-affiliated sales; or(3) The prior year's actual allowable costs, including operating, maintenance, overhead, depreciation, and a reasonable return on capital <p>Trucking expenses cannot be deducted twice.</p>
Statutory Basis:	7-31-6 NMSA 1978
Intended Purpose:	Presumably to incentivize the production of natural gas in New Mexico.
History:	Originally enacted in 1959. Regulations, including 3.18.6.9, were adopted that set values for the products that are commensurate with the actual price received for products of like quality, character, and use which are severed in the same field or area.
Evaluation:	<p>In conjunction with factors such as natural gas prices and advances in exploration technology, this deduction has increased over time, on par with natural gas production. This deduction appears to be achieving its presumed purpose.</p> <p>Similar deductions exist under the Oil and Gas Conservation Tax Act, the Oil and Gas Ad Valorem Production Tax Act, and the Oil and Gas Severance Tax Act. The deductions in those statutes are considered non-expenditures because the incidence of the tax is on products severed and sold. The product must be transported from the well to be processed and then taken to the marketplace. Once it reaches its point of sale, the product becomes taxable.</p>
Recommendations:	None.
Reliability Factor:	 1 – Transportation deductions are separately reported by product type. No estimation is required.

Fiscal Impact:

Natural Gas Transportation Deduction from Oil and Gas Emergency School Tax	Fiscal Year	2023	2024	2025
	Expenditure (thousands)	\$56,612	\$59,930	\$72,498

UNCOLLECTIBLE DEBTS GRT AND GGRT DEDUCTION

- Brief Description:** Refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting gross receipts tax and governmental gross receipts on an accrual basis may be deducted from gross receipts and governmental gross receipts.
- Statutory Basis:** 7-9-67 NMSA 1978
- Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on refunded or uncollectible receipts.
- History:** Originally enacted in 1969 and amended in 1994.

UNPAID CHARGES FOR HOSPITAL SERVICES CREDIT AGAINST GRT

- Brief Description:** A licensed medical doctor or licensed osteopathic physician may claim a credit against gross receipts taxes for the value of unpaid qualified health care services. Qualified health care services must be provided by the doctor or physician while on call to a hospital.
- Statutory Basis:** 7-9-96.2 NMSA 1978
- Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on non-existent receipts.
- History:** Originally enacted in 2007 and amended in 2021.
- The 2021 amendment clarifies that physician practice groups are eligible to claim the GRT credit, aligning the statute with regulations.

USE OF PROPERTY AND SERVICES BY FEDERAL, STATE OR LOCAL GOVERNMENTS EXEMPTION FROM COMPENSATING TAX

- Brief Description:** Exempted from compensating tax is the use of property and services by the United States or the State of New Mexico and associated subdivisions. The exemption does not apply to the use of property for a metropolitan redevelopment project or the use of construction material.
- Statutory Basis:** 7-9-14(A) NMSA 1978
- Intended Purpose:** Presumably to define the tax base.
- History:** Originally enacted in 1969 and amended in 1985, 1990, 1993, 2001 and 2023. The 2023 amendment adds services to the exemption.

USE OF PROPERTY BY INDIAN NATION, TRIBE OR PUEBLO EXEMPTION FROM COMPENSATING TAX

- Brief Description:** Exempted from compensating tax is the use of property by any Indian nation, tribe or pueblo on Indian reservation or pueblo grants.
- Statutory Basis:** 7-9-14(B) NMSA 1978
- Intended Purpose:** The State is preempted from imposing taxes on Indian nations, tribes or pueblos.
- History:** The section was originally enacted in 1969 and amended in 1985, 1990, and 1993. Subsection B was created by the 1990 amendment, separating tribal entities' use of property from the federal government, and state and local governments.

USE OF TANGIBLE PERSONAL PROPERTY FOR LEASING DEDUCTION FROM COMPENSATING TAX

- Brief Description:** The value of tangible personal property held for lease by a person engaged in the business of selling or leasing the same type property may be deducted before computing compensating tax due; however, it does not apply to the value of furniture or appliances furnished as part of a rental house or apartment, coin-operated machines, or manufactured homes.
- Statutory Basis:** 7-9-78 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding.
- History:** Originally enacted in 1969 and amended in 1973, 1975, 1979, 1981, 1984, and 1991.

VEHICLE THAT IS OWNED BY THE STATE OF NEW MEXICO EXEMPTION FROM MVX

- Brief Description:** A vehicle with a certificate of title owned by New Mexico or any political subdivision is exempt from MVX.
- Statutory Basis:** 7-14-6(C) NMSA 1978
- Intended Purpose:** Presumably to define the tax base.
- History:** Originally enacted in 1988, and amended in 1990, 1994, 2004, and 2007.

VEHICLE THAT WAS PREVIOUSLY REGISTERED IN NEW MEXICO EXEMPTION FROM MVX

- Brief Description:** A person applying for a certificate of title for a vehicle registered in another state is exempt from the tax if the person has previously registered and titled the vehicle in New Mexico and has owned the vehicle continuously since that time.
- Statutory Basis:** 7-14-6(B) NMSA 1978
- Intended Purpose:** Presumably to prevent double taxation.
- History:** Originally enacted in 1988, and amended in 1990, 1994, 2004, and 2007.

VEHICLES EXEMPTIONS FROM GRT AND COMPENSATING TAX

Brief Description: The receipts from selling vehicles on which a tax is imposed by the Motor Vehicle Excise Tax Act, vehicles registered by persons with significant mobility limitations, and vehicles exempt from the MVX pursuant to Section 7-14-6(F) NMSA 1978 are exempt from GRT.

The use of vehicles used in New Mexico on which the tax imposed by the Motor Vehicle Excise Tax Act has been paid, the use of vehicles subject to registration under the Motor Vehicle Code and the use of vehicles exempt from MVX pursuant to Section 7-14-6(F) NMSA 1978 are exempt from compensating tax.

Statutory Basis: 7-9-22 and 7-9-23 NMSA 1978

Intended Purpose: Presumably to avoid taxation under multiple tax programs, as the exemption only applies to vehicles on which a tax is imposed pursuant to the Motor Vehicle Excise Tax Act.

History: The GRT exemption was originally enacted in 1969 and amended in 1976, 1981, 1988, and 2004.

The compensating tax exemption was originally enacted in 1969 and amended in 1976, 1983, 1988, and 2004.

VEHICLES USED FOR SHORT-TERM LEASING CREDIT AGAINST MVX

Brief Description: The MVX is suspended for vehicles used primarily as short-term rental vehicles that are part of a vehicle fleet of at least five vehicles that are subject to the leased vehicle gross receipts tax.

Statutory Basis: 7-14-7.1 NMSA 1978

Intended Purpose: Presumably to avoid taxation under multiple tax programs.

History: Originally enacted in 1991 and amended in 1993 and 1994.

VEHICLES USED IN INTERSTATE COMMERCE GRT DEDUCTION

Brief Description: Receipts from the rental or leasing of vehicles used in the transportation of passengers or property for hire in interstate commerce under the regulations or authorization of any agency of the U.S. are deductible from GRT.

Statutory Basis: 7-9-70 NMSA 1978

Intended Purpose: Presumably due to federal preemption.

History: Originally enacted in 1969.

WAGES EXEMPTION FROM GRT

Brief Description: Receipts of employees from wages, salaries, commissions, or from any other form of remuneration for personal services are exempt from GRT.

Statutory Basis: 7-9-17 NMSA 1978

Intended Purpose: Presumably to define the tax base.

History: Originally enacted in 1969.

WARRANTY OBLIGATIONS GRT DEDUCTION

Brief Description: Receipts of a dealer from furnishing goods or services to the purchaser of tangible personal property to fulfill a warranty obligation of the manufacturer of the property may be deducted from gross receipts.

Statutory Basis: 7-9-68 NMSA 1978

Intended Purpose: Presumably to properly define the tax base, as the cost of the warranty is part of the cost of the goods or services, and taxes were paid on it at the time of the original purchase.

History: Originally enacted in 1969.

ARGUABLE

While many of the deviations from New Mexico's many tax programs are easily categorized as either "Tax Expenditures" or "Not Tax Expenditures", there are a number in which arguments could be made for both. With a few others, the purpose of the deviation is not entirely clear; without knowing why the deviation was created, it is not possible to determine in which category it belongs.

In this year's tax expenditure report, a number of items that do not affect taxpayer treatment but do impact distributions of State and local revenue have been recategorized from "Tax Expenditures" to "Arguable". These include provisions directing GRT and property tax revenue associated with Tax Increment Development Districts, Metropolitan Redevelopment Act projects, and Local Economic Development Act projects. These items do not change the amount of tax due from a given taxpayer, but rather they earmark revenue for many years to a specific fund for use on a specific project. Tax & Rev will continue to provide full transparency and reporting on these items.

"Arguable" deviations are presented in alphabetical order. The table of contents provides an alphabetized list of the arguable deviations. To find a specific deviation based on its statute citation, use the index at the end of the report.

As with the "Not Tax Expenditures" section, we believe that including information about these deviations, even without analysis of the fiscal impact, makes the reader better informed about the New Mexico tax structure.

ADMINISTRATIVE AND ACCOUNTING SERVICES GRT DEDUCTION

Brief Description: Receipts of a business entity for administrative, managerial, accounting, and customer services performed by it for an affiliate upon a nonprofit or cost basis are deductible from gross receipts.

Receipts of a business entity from an affiliate for the joint use or sharing of office machines and facilities upon a nonprofit or cost basis are deductible from gross receipts.

Statutory Basis: 7-9-69 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 1969 and amended in 1990, 1993, 1998, 2002, and 2015.

AGRICULTURAL PRODUCTS EXEMPTION FROM GRT AND GGRT

Brief Description: Receipts from selling livestock, including horses, and the receipts of growers, producers and trappers from selling live poultry, unprocessed agricultural products (for example, a bale of hay, a head of lettuce or an unroasted sack of green chili), hides or pelts are exempt from the GRT and GGRT.

Receipts from selling dairy products at retail are not exempt from the GRT.

Statutory Basis: 7-9-18 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 1969 and amended in 1991, 1992, 1993, and 2011.

The 2011 amendment expanded the deduction by defining “livestock” as all domestic or domesticated animals that are used or raised on a farm or ranch, including the carcasses thereof, and includes horses, asses, mules, cattle, sheep, goats, swine, bison, poultry, ostriches, emus, rheas, camelids and farmed cervidae upon any land in New Mexico.

Evaluation: This deduction cannot be completely considered an anti-pyramiding device, as there is no limitation that the receipts come from the sale of goods that are intermediate goods, or that are for resale. However, it is not possible to determine which portion is attributable to resale activities and which is not.

CERTAIN COMMISSIONS GRT DEDUCTION

- Brief Description:** Receipts derived from commissions from sales of tangible personal property when the property sold is not subject to gross receipts tax are deductible from gross receipts.
- Receipts of the owner of a dealer store for selling a principal's goods are deductible from gross receipts.
- Statutory Basis:** 7-9-66 NMSA 1978
- Intended Purpose:** Presumably to avoid double taxation since commissions are taxable as personal income.
- History:** Originally enacted in 1969 and amended in 1999.

FEED AND FERTILIZER & AUCTIONEERS SELLING LIVESTOCK AND AGRICULTURAL PRODUCTS AT AUCTION GRT DEDUCTION

- Brief Description:** Receipts from selling feed for livestock, fish, poultry, or animals raised for their hides/pelts and from selling seeds, roots, bulbs, plants, soil conditioners, fertilizers, insecticides, germicides, insects used to control populations of other insects, fungicides or weedicides or water for irrigation purposes are deductible from gross receipts.
- Statutory Basis:** 7-9-58 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding.
- History:** Originally enacted in 1969 and amended in 1977, 1983, 1991, 1992 and 2002.

GROSS AMOUNTS WAGERED EXEMPTION FROM GRT

- Brief Description:** Exempted from GRT are receipts of a horse racetrack which are authorized by the Horse Racing Act to be retained by a horse racetrack that is licensed to conduct horse races.
- Statutory Basis:** 7-9-40(B) NMSA 1978
- Intended Purpose:** Presumably to avoid taxing receipts over gross amounts wagered which are under no authority to be spent by a horse racetrack.
- History:** Originally enacted in 1970 and amended in 1971, 1985, and 1989.
- Recommendation:** Update the statute to reflect the correct citation. It currently references Section 60-1-10 NMSA 1978, which was repealed in 2007. Presumably the intention is for it to reference the successor statute which appears to be Section 60-1A-19 NMSA 1978.


INSURANCE COMPANIES EXEMPTION FROM GRT

- Brief Description:** The receipts of insurance companies or any agent from premiums and any consideration received by a property bondsman as security or surety for a bail bond in connection with a judicial proceeding are exempt from GRT.
- Statutory Basis:** 7-9-24 NMSA 1978
- Intended Purpose:** Presumably to prevent taxation under multiple tax programs, as the receipts of insurance companies are subject to the insurance premium tax and presumably to ensure that considerations received as security of surety for a bail bond are not taxed as they are not guarantees and not considered receipts.
- History:** Originally enacted in 1969 and amended in 1988.

LIVESTOCK FEEDING EXEMPTION FROM GRT

- Brief Description:** Receipts from feeding (including penning or handling livestock prior to sale and training livestock) or pasturing livestock, are exempt from GRT.
- Statutory Basis:** 7-9-19 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding.
- History:** Originally enacted in 1969 and amended in 1974, 1991, and 1992.


LOCAL ECONOMIC DEVELOPMENT ACT (LEDA) SPECIAL GRT DISTRIBUTIONS

Category:	Economic Development
Brief Description:	<p>A distribution shall be made to the Local Economic Development Act fund for the following amounts of the following taxes imposed and paid on expenses related to the construction of the qualifying entity's economic development project:</p> <ul style="list-style-type: none">G. Fifty percent of the net receipts attributable to the state gross receipts tax and the state compensating tax; andH. Fifty percent of the net receipts attributable to the local option gross receipts tax and county compensating tax imposed by a county and local option gross receipts tax and municipal compensating tax imposed by a municipality. <p>Qualifying projects must meet the requirements under the Local Economic Development Act (LEDA), 5-10 NMSA 1978. Section 5-10-14 NMSA 1978 creates the LEDA fund and details the use of the distributed funds to the qualified entities.</p>
Statutory Basis:	5-10-14 NMSA 1978, 5-10-17 NMSA 1978, and 7-1-6.67 NMSA 1978
Intended Purpose:	To create a mechanism for providing GRT and compensating tax increments to enhance the amount of resources available to foster, promote, and enhance local economic development projects. This empowers communities to embark on economic development projects tailored to their local needs.
History:	7-1-6.67 NMSA 1978 was originally enacted in 2021 and amended in 2024. 5-10-14 NMSA 1978 was originally enacted in 2020 and 5-10-17 NMSA 1978 in 2021. 5-10-17 NMSA 1978 provided for the distribution of state and local gross receipts tax revenue. The 2024 amendment provides for Tax & Rev to withhold a 3% administrative fee on the net amount of LEDA distributions and made certain technical amendments.
Evaluation:	None.
Recommendation:	Tax & Rev cautions that the proliferation of complex distributions, such as the new distributions created through this tax expenditure, add cost and risk to the overall tax distribution system. The goal of funding the LEDA fund may better be achieved through appropriations than through tax system distributions.
Reliability Factor:	 1 – This distribution is reported in the RP-500 GRT report.

Fiscal Impact:

	Fiscal Year	2023	2024	2025
Local Economic Development Act (LEDA) Special GRT Distributions	State General Fund Expenditure (thousands)	\$17,541	\$23,084	\$10,603
	Local Government Expenditure (thousands)	\$1,096	\$1,480	\$680

METROPOLITAN REDEVELOPMENT PROJECTS GRT DISTRIBUTION

Category:	Economic Development
Brief Description:	A distribution for a metropolitan redevelopment project pursuant to the Metropolitan Redevelopment Code shall be made to the metropolitan redevelopment fund in accordance with the dedication of a gross receipts tax increment. Tax & Rev distributes a portion of State and local revenue above the base, as determined by the percentages dedicated to the area by the local government and the State Board of Finance.
Statutory Basis:	3-60A-21(B), 3-60A-23, and 7-1-6.71 NMSA 1978
Intended Purpose:	To enhance the resources available to foster, promote, and enhance metropolitan redevelopment projects. The code was designed to address and prevent urban decay. It empowers local governments to undertake redevelopment projects in areas designated as "slum" or "blighted."
History:	<p>3-60A-21(B) and 3-60A-23 NMSA 1978 were originally enacted in 1979 and amended in 2023 to allow for the dedication of local option and state gross receipts tax revenue to fund a metropolitan redevelopment project.</p> <p>7-1-6.71 NMSA 1978 was originally enacted in 2023.</p> <p>3-60A-21(B) and 7-1-6.71 NMSA 1978 were amended in 2024. The 2024 amendment to 3-60A-21(B) NMSA 1978 clarified the procedures to be used in determining the tax increment. The 2024 amendments to 7-1-6.71 NMSA 1978 added an administrative fee of three percent and clarified the distribution of revenues to the metropolitan redevelopment fund.</p> <p>3-30A-21(B) was amended in 2025 to change the date that Tax & Rev shall designate a reporting location code for the metropolitan redevelopment area for purposes of determining a gross receipts tax increment.</p>
Evaluation:	None.
Recommendation:	None.
Reliability Factor:	 1 – This distribution will be reported in the RP-500 GRT distribution report.
Fiscal Impact:	No Impact. There were no qualifying metropolitan redevelopment projects receiving revenue in FY2025.

PETROLEUM PRODUCTS SOLD TO THE FEDERAL GOVERNMENT EXEMPTION FROM PETROLEUM PRODUCTS LOADING FEE

- Brief Description:** Petroleum products sold to the U.S. or any agency or instrumentality thereof for the exclusive use of the U.S. or any agency or instrumentality thereof are exempt from the PPLF.
- Statutory Basis:** 7-13A-4(B) NMSA 1978
- Intended Purpose:** To comply with the federal preemption doctrine.
- History:** Originally enacted in 1991.

PIPELINE TRANSPORTATION OF OIL AND GAS PRODUCTS EXEMPTION FROM GRT AND COMPENSATING TAX

- Brief Description:** Receipts from the sale of oil, natural gas, liquid hydrocarbon, or any combination thereof consumed as fuel in the pipeline transportation of these products are exempt from GRT.
- The use of oil, natural gas, liquid hydrocarbon or any combination thereof as fuel in the pipeline transportation of such products is exempt from compensating tax.
- Statutory Basis:** 7-9-36 and 7-9-37 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding.
- History:** The GRT and compensating exemptions were originally enacted in 1969.

PROCESSING AGRICULTURAL PRODUCTS GRT DEDUCTION

- Brief Description:** Receipts from warehousing grain or other agricultural products and from threshing, harvesting, growing, cultivating, and processing agricultural products are deductible from gross receipts.
- Statutory Basis:** 7-9-59 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding.
- History:** Originally enacted in 1969, and amended in 1970, 2000, and 2019.

RECEIPTS OF HOMEOWNERS ASSOCIATIONS EXEMPTION FROM GRT

- Brief Description:** Receipts of homeowners' associations (HOA) from membership fees, dues, and assessments from owner-members to be used for tax, insurance, utility expenses, management and improvement, maintenance or rehabilitation of those common areas, elements, or facilities appurtenant thereto for commonly-owned areas and facilities are exempt from GRT.
- Statutory Basis:** 7-9-20 NMSA 1978
- Intended Purpose:** Presumably to provide clarification that a HOA can be recognized as a 501(c)(4) organization to qualify for this exemption if its activities benefit a community.
- History:** Originally enacted in 1988.

RESALE OF CERTAIN MANUFACTURED HOMES GRT DEDUCTION

- Brief Description:** Receipts from the resale of a manufactured home which was subject to GRT, compensating tax, or MVX upon its original sale or use in New Mexico are deductible from gross receipts.
- Statutory Basis:** 7-9-76.1 NMSA 1978
- Intended Purpose:** Presumably to avoid taxation under multiple programs, as the deduction only applies if the initial sale was subject to the GRT, the compensating tax, or the MVX.
- History:** Originally enacted in 1979 and amended in 1980, 1990, and 1991.

**SALE BY OR TO U.S. ARMED FORCES
EXEMPTION FROM LIQUOR EXCISE TAX AND LOCAL LIQUOR
EXCISE TAX**

- Brief Description:** Alcoholic beverages sold to or by any instrumentality of the U.S. armed forces that are engaged in resale activities are exempt from the liquor excise tax and the local liquor excise tax.
- Statutory Basis:** 7-17-9 and 7-24-12 NMSA 1978
- Intended Purpose:** Presumably to comply with the federal preemption doctrine with respect to sales by U.S. instrumentalities.
- History:** The liquor excise tax exemption was originally enacted in 1966 and amended in 1973, 1984, and 1985.
- The local liquor excise tax exemption was originally enacted in 1989.

**SALE OF ALTERNATIVE FUEL TO THE STATE OF NEW MEXICO
EXEMPTION FROM ALTERNATIVE FUEL EXCISE TAX**

- Brief Description:** Alternative Fuel distributed to or used by the State of New Mexico, is exempt from the imposition of the alternative fuel excise tax.
- Statutory Basis:** 7-16B-5 (B) NMSA 1978
- Intended Purpose:** Presumably to define the tax base.
- History:** Originally enacted in 1995.

SALE OF PROSTHETIC DEVICES GRT AND GGRT DEDUCTION

- Brief Description:** Receipts from selling prosthetic devices to persons and licensed to practice in several medical disciplines are deductible from gross receipts and governmental gross receipts.
- The buyer must deliver a non-taxable transaction certificate and must deliver the prosthetic device incidental to the performance of a service and must include the value of the prosthetic device in the charge for the service.
- Statutory Basis:** 7-9-73 NMSA 1978
- Intended Purpose:** Presumably to reduce tax pyramiding as the value of the prosthetic must be fully included in the final price of the service, and the nature of the final sale will determine whether it is taxable or not.
- History:** Originally enacted in 1970 and amended in 1992.

SALE OF SPECIAL FUEL SOLD TO THE STATE OF NEW MEXICO DEDUCTION FROM SPECIAL FUEL EXCISE TAX

- Brief Description:** Special fuel sold to the state of New Mexico or any political subdivision, agency or instrumentality thereof, may be deducted from the total amount of special fuel excise tax.
- Statutory Basis:** 7-16A-10 (C) NMSA 1978
- Intended Purpose:** Presumably to define the tax base.
- History:** Originally enacted in 1993.

SALE OR LEASE OF REAL PROPERTY & LEASE OF MANUFACTURED HOMES GRT DEDUCTION

- Brief Description:** Receipts from the sale or lease of real property, which includes the land and any permanent fixtures, from the lease of a manufactured home for at least one month, and from the rental of space for a manufactured home or recreational vehicle for at least one month, are deductible from gross receipts.
- Statutory Basis:** 7-9-53 NMSA 1978
- Intended Purpose:** Presumably to reduce tax burdens associated with occupancy of residential and commercial spaces on a non-transient basis.
- History:** Originally enacted in 1969 and amended in 1972, 1973, 1975, 1979, 1983, 1991, and 1998.

SALES TO FEDERAL GOVERNMENT, STATE OF NEW MEXICO, OR NEW MEXICO TRIBES EXEMPTION FROM CIGARETTE TAX AND TOBACCO PRODUCTS TAX

- Brief Description:** Sales of cigarettes and tobacco products to the U.S., the State of New Mexico, or an Indian nation, tribe, or pueblo are exempt from the cigarette tax and the tobacco products tax.
- Statutory Basis:** 7-12-4 and 7-12A-4 NMSA 1978
- Intended Purpose:** In the case of selling personal property to the U.S. or Indian nations, presumably to comply with the federal preemption doctrine and to address multi-jurisdictional taxation. In the case of selling to the State of New Mexico, presumably to define the tax base.
- History:** The cigarette tax exemption was originally enacted in 1943. Section 7-12-4 NMSA 1978 was amended in 1971, 1992, and 2010. The 2010 legislation also included an increase of the cigarette tax by \$0.75 per pack.
- The tobacco products tax was originally enacted in 1986. Section 7-12A-4 NMSA 1978 was amended in 2009 to expand the exemption to include the sale of tobacco to tribes or tribal members.


SALES TO GOVERNMENTAL AGENCIES GRT AND GGRT DEDUCTION

- Brief Description:** Receipts from selling tangible personal property to the U.S., the State of New Mexico, or an Indian nation, tribe, or pueblo for use on an Indian reservation or pueblo grant are deductible from gross receipts and governmental gross receipts.
- Statutory Basis:** 7-9-54 NMSA 1978
- Intended Purpose:** In the case of selling personal property to the U.S. or Indian nations, presumably to comply with the federal preemption doctrine and to address multi-jurisdictional taxation. In the case of selling to the State of New Mexico, presumably to define the tax base.
- History:** Originally enacted in 1969 and amended in 1976, 1985, 1989, 1992, 1993, 1995, 2000, 2001, 2003, 2018 and 2023.

TAX PAID ON SPECIAL FUEL USED CREDIT AGAINST SPECIAL FUEL EXCISE TAX

- Brief Description:** A taxpayer is entitled to a credit against the calculated special fuel excise tax due for a reporting period for special fuel excise tax paid on special fuel used during the reporting period.
- Statutory Basis:** 7-16A-12 NMSA 1978
- Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on fuel that is not available to be sold.
- History:** Originally enacted in 1992 and amended in 1997.

TAX INCREMENT FOR DEVELOPMENT DISTRICT (TIDD) DEDICATED GRT INCREMENTS

Category:	Economic Development
Brief Description:	The State and local governments may dedicate a portion of incremental GRT revenue attributable to activities within a TIDD, and local governments may dedicate a portion of incremental property tax revenues for use by a TIDD to fund eligible activities of the TIDD.
Statutory Basis:	5-15-15 and 7-1-6.54 NMSA 1978
Intended Purpose:	To create a mechanism for providing GRT and property tax increment financing to decrease developer costs of constructing public infrastructure to incentivize the support of economic development and job creation.
History:	<p>Originally enacted in 2006 and amended in 2009, 2014, and 2025.</p> <p>The 2009 amendment clarified that approval of the TIDD plan is by the governing body within which the TIDD projects are proposed, that the deposit the petitioners make may be reimbursed from proceeds from the sale of bonds issued by the TIDD, that the governing body of the local government must notify state entities of TIDD formation, and to add requirements for the content of hearing notices.</p> <p>The 2014 amendment created a mechanism for adjusting a TIDD base year one time. To date, the base year adjustment criteria has only been met by the Winrock TIDD 1, Winrock TIDD 2 and Taos Ski Valley TIDD.</p> <p>The 2025 amendment clarified language for destination-based sourcing. The amendment also requires 12 months of data collection to set base year and removed the January 1 distribution effective date of local tax rate changes.</p>
Evaluation:	TIDDs allow for the State and local governments to contribute tax revenue to developments that are deemed to be mutually beneficial. Administratively, TIDDs require considerable effort by Tax & Rev, the State Board of Finance, local governments, and developers.
Recommendation:	None
Reliability Factor:	 1 – GRT reporting within TIDDs are reported separately. No estimation is required.

Fiscal Impact: These fiscal impacts include GRT distributions to all TIDDs. They do not include property tax dedications by local governments.

	Fiscal Year	2023	2024	2025
Tax Increment for Development District Dedicated Increments	State General Fund Expenditure (thousands)	\$12,891	\$12,155	\$7,277
	Local Government Expenditure (thousands)	\$7,915	\$10,489	\$6,195

TRAVEL AGENTS' COMMISSIONS GRT DEDUCTION

Brief Description: Receipts of travel agents from commissions paid by maritime transportation companies, and interstate airlines, railroads and passenger buses for booking, referral, reservation, or ticket services are deductible from gross receipts.

Statutory Basis: 7-9-76 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 1977.

USE OF ELECTRICITY EXEMPTION FROM COMPENSATING TAX

Brief Description: Electricity used in the production and transmission of electricity, including transmission using voltage source conversion technology, is exempt from the compensating tax.

Statutory Basis: 7-9-38 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding

History: Originally enacted in 1969 and amended in 2012.

The 2012 amendment expanded the exemption to include electricity used in the transmission of electricity using voltage source conversion technology.

VETERINARY MEDICAL FOR TREATMENT OF CATTLE GRT DEDUCTION

Brief Description: Receipts from sales of veterinary medical services, medicine, or medical supplies used in the medical treatment of cattle may be deducted from gross receipts if the sale is made to:

- (1) a person who states in writing that the person is regularly engaged in the business of ranching or farming, including dairy farming, in New Mexico, or
- (2) a veterinarian who is providing veterinary medical services, medicine, or medical supplies in the treatment of cattle owned by that person.

Statutory Basis: 7-9-109 NMSA 1978

Intended Purpose: Presumably to reduce tax pyramiding.

History: Originally enacted in 2007.

WIDE-AREA TELEPHONE AND PRIVATE COMMUNICATIONS SERVICE DEDUCTION FROM INTERSTATE TELECOMMUNICATIONS GRT

Brief Description: Receipts from the provision of wide-area telephone service and private communications service in this state may be deducted from interstate telecommunications gross receipts.

Statutory Basis: 7-9C-6 NMSA 1978

Intended Purpose: Unclear.

History: Originally enacted in 1992 and amended in 1993.

APPENDIX A: TABLE OF EXPENDITURES BY CATEGORY

Citizen Benefit Expenditures	
Name of Expenditure	Statute
Additional Income Tax Rebate 2021 Tax Year Filing	7-2-7.7
Affordable Housing Credit against Modified Combined Tax, PIT, or CIT	7-9I-5
Armed Forces Retirement Pay Exemption from PIT	7-2-5.13
Armed Forces Salaries Exemption from PIT	7-2-5.11
Back-to-School Tax-Free Weekend Deduction from GRT	7-9-95
Buses Operated by Religious and Nonprofit Charitable Organizations Exemption from WDT	7-15A-5(C)
Capital Gain Deduction from PIT	7-2-34
Certain Disabled Military Veteran Exemption from MVX	7-14-6(E)
Child Care Providers GRT Deduction	7-9-77.2 (A) & (B)
Child Care to Prevent Indigency Credit against PIT	7-2-18.1
Child Income Tax Credit against PIT	7-2-18.34
Contributions of Inventory to Nonprofit Organizations or Governmental Agencies Deduction from Compensating Tax	7-9-91
Corporate-Supported Child Care Credit against CIT	7-2A-14
Disabled Person Exemption from MVX	7-14-6(D)
Disabled Street Vendors Exemption from GRT	7-9-41.3
Disabled Veteran Exemption from Property Tax	7-37-5.1
Disabled Veteran Exemption from Special Benefit Property Tax Assessment	7-37.5.4
Education Trust Fund Payment Deduction from PIT	7-2-32
Excess of Elderly Taxpayers Maximum Property Tax Liability Rebate from PIT	7-2-18
Fees from Social Organizations Exemption from GRT	7-9-39
Feminine Hygiene Products GRT Deduction	7-9-120
Foster Youth Employment Credit against PIT and CIT	7-2-18.30 and 7-2A-29
Head-of-Family Exemption from Property Tax	7-37-4
Home Fire Recovery Income Tax Credit against PIT	7-2-18.35
Income Tax Rebate 2020 Tax Year Filing	7-2-7.4
Income tax Rebate 2021 Tax Year Filing	7-2-7.6
Job Mentorship Credit against PIT and CIT	7-2-18.11 and 7-2A-17.1
Legal Services for Wildfire Compensation Recovery GRT Credit	7-9-121
Loan-Related Costs GRT Deduction	7-9-61.1
Low-Income Comprehensive Tax Rebate against PIT and Sixty-Five or Older Additional Rebate	7-2-14
Low-Income Property Tax Rebate against PIT	7-2-14.3
Low- and Middle-Income Taxpayers Exemption from PIT	7-2-5.8
Medical Care Savings Account Exemption from PIT	7-2-5.6
New Mexico National Guard Member Premiums Paid for Group Life Insurance Exemption from PIT	7-2-5.10
Nonathletic Special Event at New Mexico State University GRT Deduction	7-9-104
Nonprofit Organizations Exemption from GRT	7-9-29

Citizen Benefit Expenditures	
Name of Expenditure	Statute
Nonprofit Organizations Fundraisers GRT Deduction	7-9-85
Nurses Credit Against PIT 2022 Tax Year Filing	7-2-18.33
Officiating at New Mexico Activities Association Events Exemption from GRT	7-9-41.4
Organ Donation Deduction from PIT	7-2-36
Persons One Hundred and Older Exemption from PIT	7-2-5.7
Persons Sixty-Five and Older or Blind Exemption from PIT	7-2-5.2
Preservation of Cultural Property Credit against PIT and CIT	7-2-18.2 and 7-2A-8.6
Property Valuation Limitation for Low-Income Seniors or Disabled Home Owners under Property Ta	7-36-21.3
Sale of Food at Retail Food Stores GRT Deduction and Hold Harmless Distribution	7-9-92 and 7- 1-6.46, 7-1- 6.47
Sale of Textbooks in Certain Bookstores Exemption from GRT	7-9-13.4
Sales to Nonprofit Organizations GRT, GGRT, and Compensating Tax Deduction	7-9-60, 7-9- 15
School Supplies Purchased by a Public School Teacher Deduction from PIT	7-2-41
Social Security Income Exemption from PIT	7-2-5.14
Special Needs Adopted Child Credit against PIT	7-2-18.16
Supplemental Tax Rebate 2021 Tax Year	7-2-7.5
Unreimbursed or Uncompensated Medical Care Expenses Credit From PIT	7-2-18.13
Unreimbursed or Uncompensated Medical Care Expenses Deduction From PIT	7-2-37
Unreimbursed or Uncompensated Medical Care Expenses Exemption From PIT	7-2-5.9
Veteran Exemption from Property Tax	7-37-5
Veteran's Organization Exemption from Property Tax	7-37-5.3
Working Families Credit against PIT	7-2-18.15

Economic Development Expenditures	
Name of Expenditure	Statute
Aircraft Sales or Services GRT Deduction	7-9-62.1
Alternative Energy Product Manufacturers Credit against Modified Combined Tax	7-9J-1 <i>et seq.</i>
Angel Investment Credit against PIT	7-2-18.17
Apportionment Election of CIT For Headquarters	7-4-10(C)
Apportionment Election of CIT For Manufacturers	7-4-10(B)
Border-Zone Trade-Support Company GRT Deduction	7-9-56.3
Commercial Motor Carrier Vehicles Operating Exclusively within 10 Miles of Mexico Border Exemption from Trip Tax and WDT	7-15-3.2 and 7-15A-5(D)
Durable Medical Equipment GRT and GGRT Deduction	7-9-73.3
Film and Television Credit against PIT and CIT	7-2F-1 <i>et seq.</i>
Future Distribution to a Nonresident Beneficiary Deduction from PIT	7-2-38
High-Wage Jobs Credit against Modified Combined Tax	7-9G-1
Hosting World Wide Web Sites GRT Deduction	7-9-56.2
Investment Credit against GRT, Compensating Tax, or Withholding Tax	7-9A-1 <i>et seq.</i>
Investment Management or Advisory Services GRT Deduction	7-9-108

Economic Development Expenditures	
Name of Expenditure	Statute
Jet Fuel Fifty-Five Percent GRT and Compensating Tax Deduction	7-9-83 and 7-9-84
Laboratory Partnership with Small Business Credit against GRT	7-9E-1 <i>et seq.</i>
Restaurant and Bar Temporary GRT Deduction	7-9-118
Rural Job Credit against Modified Combined Tax, PIT, and CIT	7-2E-1.1
Sale of Certain Research and Development Services Exemption from GRT	7-9-13.1
Sale of Certain Services to an Out-of-State Buyer GRT Deduction	7-9-57
Sale of Software Development Services GRT Deduction	7-9-57.2
Sales of Services to Manufacturing GRT Deduction	7-9-46.1
Sales to State-Chartered Credit Unions GRT and GGRT Deduction	7-9-61.2
Small Business Saturday Thanksgiving Weekend GRT Deduction	7-9-116
Technology Jobs and Research and Development Credit against GRT, Compensating Tax, Withholding Tax, PIT, or CIT	7-9F-1 <i>et seq.</i>
Technology Readiness Credit against GRT	7-9-96.3

Environment, Conservation & Renewable Energy Expenditures	
Name of Expenditure	Statute
Agricultural Biomass Credit against PIT and CIT	7-2-18.26 and 7-2A-26
Biodiesel Blending Facility Tax Thirty Percent Credit against GRT and Compensating Tax	7-9-79.2
Biomass-Related Equipment and Biomass Materials Deduction from Compensating Tax	7-9-98
Clean Car Income Tax Credit against PIT and CIT	7-2-18.36 and 7-2A-19.1
Clean Car Charging Unit Income Tax Credit against PIT and CIT	7-2-18.37 and 7-2A-19.2
Conveyance of Land for Conservation or Preservation Fifty Percent Credit against PIT and CIT	7-2-18.10 and 7-2A-8.9
Electric Transmission and Storage Facilities GRT and Compensating Tax Deduction	7-9-101 and 7-9-102
Electric Transmission and Storage Facilities Services GRT Deduction	7-9-103
Electricity Conversion GRT Deduction	7-9-103.1
Electricity Exchange GRT Deduction	7-9-103.2
Geothermal Electricity Generation-Related Sales and Use GRT and Compensating Tax Deduction	7-9-112.1
Geothermal Ground-Coupled Heat Pump Credit against PIT and CIT	7-2-18.24 and 7-2A-24
Renewable Energy Production Credit against PIT and CIT	7-2-18.18 and 7-2A-19
Solar Energy Systems GRT Deduction	7-9-112
Solar Market Development Credit against PIT	7-2-18.14
New Solar Market Development Credit against PIT	7-2-18.31

Environment, Conservation & Renewable Energy Expenditures	
Name of Expenditure	Statute
Sustainable Building Credit against PIT and CIT	7-2-18.19 and 7-2A-21
2015 Sustainable Building Credit against PIT and CIT	7-2-18.29 and 7-2A-28
2021 Sustainable Building Credit against PIT and CIT	7-2-18.32 and 7-2A-28.1
Wind and Solar Generation Equipment GRT Deduction	7-9-54.3

Health Care Incentive	
Name of Expenditure	Statute
Certain Health Care Providers Federal Payments Exemption from Gross Receipts – American Rescue Plan Act of 2021 (ARPA)	7-9-41.6 (B)
Certain Health Care Providers Federal Payments Exemption from Gross Receipts – Coronavirus Aid, Relief, and Economic Security Act (CARES)	7-9-41.6 (A)
Construction Equipment and Materials Used in the Construction of Sole Community Provider Hospitals GRT Deduction	7-9-100
Construction of Sole Community Provider Hospitals GRT Deduction	7-9-99
DOH-Licensed Hospitals Sixty Percent GRT and GGRT Deduction	7-9-73.1
Environmental Modifications for Medicaid Recipients GRT Deduction	7-9-73.4
Health Care Practitioner Services GRT Deduction and Hold Harmless Distribution	7-9-93, 7-1-6.46, and 7-1-6.47
Hearing and Vision Aids GRT Deduction	7-9-111
Medical and Health Care Services GRT Deduction	7-9-77.1
Prescription Drugs, Oxygen, Medical Cannabis and Psilocybin GRT and GGRT Deduction	7-9-73.2
Rural Health Care Practitioner Credit against PIT	7-2-18.22

Highly Specialized Industry Expenditures	
Name of Expenditure	Statute
Buses Used for Transportation of Agricultural Laborers Exemption from WDT	7-15A-5(B)
Cigarette Tax Rate Reduction for Modified Risk Products	7-12-3 (C) and (D)
Coal Exemption from Severance Surtax	7-26-6.2
Fuel for Space Vehicles Exemption from GRT and Compensating Tax	7-9-26.1
Goods and Services for the DOD Related to Directed Energy and Satellites GRT Deduction	7-9-115
Liquor License Holders Deduction from GRT	7-9-119
Liquor License Lessor Deduction from PIT and CIT	7-2-40 and 7-2A31
Locomotive Engine Fuel GRT and Compensating Tax Deduction	7-9-110.1 and 7-9-110.2
Lottery Retailer Receipts GRT Deduction	7-9-87

Highly Specialized Industry Expenditures	
Name of Expenditure	Statute
Microbrewer Beer, Small Wineries, and Craft Distillers Rate Differential from Liquor Excise Tax	7-17-5(A)(5) and 7-17-5(A)(6)
Military Transformational Acquisition Programs GRT Deduction	7-9-94
Molybdenum Rate Differential from Resources Tax and Processors Tax	7-25-4A(3) and 7-25-5A(4)
Natural Gas Exemption from Oil and Gas Severance Tax	7-29-4(B)(1)
Natural Gas Rate Differential from Oil and Gas Emergency School Tax	7-31-4(A)(6) and 7-31-4(A)(7)
Natural Gas Rate Differential from Oil and Gas Severance Tax	7-29-4(A)(4), 7-29-4(A)(6), and 7-29-4(A)(7)
Newspaper Sales GRT Deduction	7-9-64
Oil and Other Liquid Hydrocarbons Exemption from Oil and Gas Severance Tax	7-29-4(B)(2)
Oil and Other Liquid Hydrocarbons Rate Differential from Oil and Gas Emergency School Tax	7-31-4(A)(4) and 7-31-4(A)(5)
Oil and Other Liquid Hydrocarbons Rate Differential from Oil and Gas Severance Tax Rate	7-29-4(A)(3), 7-29-4(A)(5), 7-29-4(A)(8), and 7-29-4(A)(9)
Potash Rate Differential from Resources Tax and Processors Tax	7-25-4A(2) and 7-25-5A(3)
Production or Staging of Professional Contests GRT Deduction	7-9-107
Publication Sales GRT Deduction	7-9-63
Purses and Jockey Remuneration at New Mexico Racetracks Exemption from GRT	7-9-40(A)
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APPENDIX B: FREQUENTLY USED ACRONYMS

- ACA** – Affordable Care Act
- CIT** - Corporate Income Tax
- CREG** – Consensus Revenue Estimating Group
- CYFD** – New Mexico Children, Youth and Families Department
- DFA** – New Mexico Department of Finance and Administration
- DOH** – New Mexico Department of Health
- DWS** – New Mexico Department of Workforce Solutions
- EDD** – New Mexico Economic Development Department
- EMNRD** – New Mexico Energy, Minerals, and Natural Resources Department
- GGRT** - Governmental Gross Receipts Tax
- GRT** - Gross Receipts Tax
- HCA** – New Mexico Health Care Authority (previously Human Services Department)
- IRS** – Federal Government Internal Revenue Service
- LVGRT** - Leased Vehicle GRT
- MCF** - 1,000 Cubic Feet
- MFA** - Mortgage Finance Authority
- MVX** - Motor Vehicle Excise Tax
- NAICS** – North American Industry Classification System
- NMDOT** – New Mexico Department of Transportation
- NMENV** – New Mexico Environment Department
- PIT** - Personal Income Tax
- PPLF** – Petroleum Products Loading Fee
- REPTC** – Renewable Energy Production Tax Credit
- RSTP** – Revenue Stabilization and Tax Policy - an interim legislative committee
- TIDD** - Tax Increment Development District
- TPP** - Tangible Personal Property
- Tax & Rev** - New Mexico Taxation and Revenue Department

WDT - Weight Distance Tax

WTI - West Texas Intermediate

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