

Proposal Summary

The proposal creates a gross receipts tax deduction on the sale of outdoor billboard advertising, where the advertising message is supplied by or on behalf of a national or regional seller or advertiser that does not have its principal place of business in, and is not incorporated under the laws of, New Mexico. The draft also reorganizes Section 7-9-55 into subsections without other substantive change and takes effect July 1, 2027.

Staff estimate the proposal would reduce revenue by between \$1.2 million and \$3.0 million a year beginning in FY28. Roughly a third of that falls on municipalities and counties, because a gross receipts tax deduction narrows the local option base as well as the state base.

Issues

Parity With Broadcast. Section 7-9-55 allows for a deduction for the sale of radio or television broadcast time when the advertising message comes from a national or regional advertiser without a New Mexico principal place of business. The proposal extends this treatment to outdoor billboard advertising. The implied purpose is to achieve parity between billboard advertising and radio or television media selling to the same national advertiser. These two forms of media have been treated differently because of the interstate nature of television and radio broadcasting that travels across state boundaries through radio and antenna airwaves. Unlike radio and television, billboards are distinctly physically located in state, and does not put New Mexico at risk of interfering in interstate commerce.

Billboard Advertising and Interstate Commerce. The proposal amends a section of statute governing the gross receipts taxation of interstate commerce, and the first paragraph of that section allows a deduction only to the extent that taxing the transaction would be unlawful under the United States constitution. The broadcast provisions that follow in existing law follow a similar logic. A billboard is fixed in New Mexico and viewed by people in New Mexico; the only interstate element is the identity of the purchaser. As such, the proposed deduction is a preference for out-of-state advertisers and is not addressing issues of interstate commerce.

Billboard Advertising GRT

**Sponsor(s): Rep. De La
Cruz**

**202#: 234802.1,
October 15, 2026**

One-Year Cost
**\$1.1 M to \$2.7 M state
and local**

Five-Year Cost
**\$5.5 M to \$13.6 M state and
local**

Impact by Fund (in millions)

Fund	1 Year	5 Year
General Fund	(\$1.1)	(\$5.5)
Local govts	(\$0.8)	(\$3.8)
Total	(\$1.9)	(\$9.3)

Local Government Revenues. The proposed deduction removes receipts from the tax base on which municipal and county gross receipts taxes are imposed. By removing outdoor advertising from the tax base with a deduction, local governments lose the tax revenue on those sources.

Distributional Benefits. The deduction accrues to the billboard operator, which no longer owes tax on those receipts. Whether it reaches the national advertiser as a lower price, or is retained by the operator, depends on market factors and billboard operator choice. New Mexico's outdoor advertising inventory is concentrated along the interstate 25 and interstate 40 corridors.

Comparison to Approved Guidelines

The proposal meets 2 of the 18 committee adopted guidelines.

The affected activity and the eligible taxpayers are defined precisely and are easy to administer.

However, without a clearly stated purpose, the proposal intent is unclear. Furthermore, the proposal lacks a delayed repeal, a cap, taxpayer reporting requirement, or inclusion in the tax expenditure report.

Without a stated purpose, it is unclear if the proposal is an efficient or effective tool. If the purpose is to increase sales of advertising to billboard operators in New Mexico, this proposal may be effective. However, the benefit is defined by the buyer's state of incorporation rather than by the transaction, so two identical billboard sales are taxed differently depending on where the advertiser is headquartered, with local businesses at a disadvantage under this proposal. If the intent of the proposal is intended to alleviate issues of interstate commerce, research indicates this proposal has no impact as physical nexus is already a legally defensible rationale for taxation.

Fiscal Impacts

Staff estimates the proposal would reduce total revenue by between \$1.1 million and \$2.7 million a year beginning in FY28, with a midpoint of approximately \$1.9 million, of which approximately \$1.1 million is general fund and approximately \$0.76 million is local government revenue.

1	Clearly Stated Purpose	Does the proposal identify the problem to be solved?	☐
		Does it explain why a tax policy change is the right solution?	☐
		If an economic development incentive, is the purpose included in the language of the proposal itself?	☐
2	Theory of Change or Logic Model	Does the proposal explain how the tax change will achieve the intended outcome?	☐
		Does it identify the taxpayer behavior it is intended to influence?	☐
3	Measurable Goals and Targets	Does the proposal identify expected outcomes?	☐
		Does it identify affected populations or activities?	☒
		Does it explain how success will be measured?	☐
4	Fiscal Impact Analysis	Does the proposal estimate the impact on the general fund?	☐
		Does it estimate the impact on the local government and other funds?	☐
		Does it identify the impacts as recurring or nonrecurring?	☐
5	Expiration Date (Sunset)	Does the proposal include a delayed repeal?	☐
6	Expenditure Cap	If feasible, does the proposal include an annual or aggregate cap on total cost?	☐
7	Effective Targeting	Does the proposal clearly identify eligible taxpayers or activities?	☒
		Does it limit benefits to those populations or activities necessary to achieve the state purpose?	☐
		Does the proposal require sufficient reporting on utilization, cost, and outcomes?	☐
8	Reporting Requirements	Does it provide for data collection, sharing, and analysis?	☐
		Does it identify performance measures and targets?	☐

Methodology. No New Mexico specific figure for billboard advertising receipts was found, so the base is built from national data. The Outdoor Advertising Association of America reports United States out-of-home advertising revenue of \$9.46 billion in 2025. Staff applied an assumed billboard share of that total, an assumed New Mexico share of national billboard revenue, and the association's growth expectations. The resulting deductible base was taxed at the average combined state and local rate of 7.05 percent and split between the state and local governments in proportion to the 4.875 percent state rate.

Administrative cost is expected to be immaterial. The deduction would be reported on the existing schedule alongside the radio and television deduction already in the same section.

Potential Questions

Purpose and Scope

- What problem is the deduction intended to solve? Parity with broadcast, competitiveness of New Mexico billboard inventory for national campaigns, and relief for billboard operators are different purposes with different designs.
- If the concern is parity among advertising media, why extend the deduction to one additional medium rather than review the treatment of advertising as a whole, including print and digital?
- The deduction turns on where the advertiser is headquartered, not on anything about the transaction. Should an identical billboard sale be taxed differently depending on the buyer's state of incorporation?
- Would narrowing or repealing the existing broadcast deduction achieve parity rather than extending it?

Local Government

- This deduction reduces municipal and county revenue concentrated where billboard inventory is. Have the affected local governments been consulted?

Accountability

- Why shouldn't the proposal require reporting in the tax expenditure report as other tax deductions do?