MINUTES
of the
THIRD MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE

September 30, 2025
State Capitol, Room 322
Santa Fe

The third meeting of the Revenue Stabilization and Tax Policy Committee was called to order by Senator Carrie Hamblen, chair, on September 30, 2025 at 9:10 a.m. in Room 322 of the State Capitol in Santa Fe.

Present	**Absent**
Sen. Carrie Hamblen, Chair	Sen. Craig W. Brandt
Rep. Derrick J. Lente, Vice Chair	Sen. George K. Muñoz
Sen. Heather Berghmans	
Rep. Micaela Lara Cadena	
Sen. Pete Campos	
Rep. Christine Chandler	
Rep. Mark Duncan	
Sen. Natalie Figueroa	
Rep. Doreen Y. Gallegos	
Rep. Patricia A. Lundstrom	
Rep. Mark B. Murphy	
Rep. Cristina Parajón	
Sen. Gabriel Ramos	
Sen. William E. Sharer	
Rep. Luis M. Terrazas	
Sen. Peter Wirth	

Designees

	Rep. Joanne J. Ferrary
	Sen. Antonio Maestas
	Rep. Alan T. Martinez
	Rep. Kristina Ortez
	Sen. Antoinette Sedillo Lopez
	Rep. Elaine Sena Cortez
	Sen. James G. Townsend

Special Advisory Members
Rep. Joshua N. Hernandez
Rep. Rod Montoya
Sen. Micaelita Debbie O'Malley

Staff
Cristina Vasquez, Staff Attorney, Legislative Council Service (LCS)
Marisa Garcia-Hart, Administrative Assistant, LCS
Sabina Gaynor, Staff Attorney, LCS
Clinton Turner, Fiscal Policy Analyst, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the committee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and committee discussions for agenda items can be found on the recorded webcast for this meeting.

Tuesday, September 30

Approval of Minutes (9:12 a.m.)

The minutes of the committee from its August 14, 2025 meeting were approved without changes.

Revenue Forecast (9:14 a.m.)

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department; Leonardo Delgado, chief economist, Department of Finance and Administration; and Ismael Torres, chief economist, Legislative Finance Committee (LFC), discussed the recent revenue forecast for state finances. Secretary Schardin Clarke discussed the economic outlook for the United States and New Mexico, including oil and gas price and production forecasts for the next few years. She also discussed various revenue programs, including the gross receipts tax (GRT), which is expected to increase by only $17 million in fiscal year 2026 compared to the December 2024 forecast; personal income tax revenue, which decreased by 0.7 percent in fiscal year 2025, much better than the 7.8 percent reduction predicted in 2024; corporate income tax revenue predictions, which include higher revenue, mostly due to the large drop in film production tax credit claims; and severance tax and royalty forecasts, which decreased partly due to a reversal of the federal royalty rate increase in July.

Mr. Delgado discussed General Fund revenue and expenditures and compared them to previous forecasts. For fiscal year 2025, General Fund revenue is expected to increase by 4.6 percent over fiscal year 2024. Fiscal year 2026 revenue is only expected to increase by 0.4 percent compared to fiscal year 2025. General Fund reserves for both fiscal years are expected to remain high, between 30 and 32 percent of recurring appropriations. Mr. Delgado also discussed risks to the forecast from macro events and trends and discussed the forecast stress test, which estimates revenue impacts from a moderate recession.

Mr. Torres discussed revenue and economic highlights of the forecast, including the $484 million in expected "new" money for fiscal year 2027, which is total expected revenue for that fiscal year less recurring appropriations for fiscal year 2026. One area of concern is that New Mexico is losing jobs in the private sector, and the loss is expected to continue. The impending federal government shutdown could exacerbate the overall jobs situation; however, matched taxable gross receipts and economic activity in the state are still showing growth. One possible explanation for this mismatch in data is the fact that the highest income earners account for most of the economic activity, while low-income workers struggle. Mr. Torres also discussed the oil and gas sector and risks to state revenues if oil prices drop precipitously. The presentation materials can be found here:

https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/30/2025&ItemNumber=1.

The GRT and the Health Care Industry (11:27 a.m.)

Secretary Schardin Clarke and Jennifer Faubion, economist, LFC, discussed taxation of the health care industry in New Mexico. Secretary Schardin Clarke explained how the GRT and governmental gross receipts tax (GGRT) are imposed on hospitals in the state. New Mexico generally taxes the sale of all goods and services and provides specific exemptions and deductions for various items. Most health care services are taxable. In 2019, the legislature provided equitable treatment for all hospitals, regardless of their structure, by imposing the GRT on nonprofit hospitals and the GGRT on publicly owned hospitals. Hospitals can deduct 60 percent of their receipts in calculating their tax burden.

Health care providers that are not hospitals are subject to a varied landscape of taxation. Like hospitals, every health care service is taxable, except for several deductions for certain services and items available, including deductions for prescription drugs, oxygen and medical cannabis; the medical and health care services deduction, which allows deductions for various services under specified programs; the health practitioner deduction, which allows a deduction for commercial contract services and Medicare Part C services, including copays and deductibles; and a deduction for vision and hearing aid devices. Secretary Schardin Clarke also discussed the health care quality surcharge and the health care delivery and access assessment, both of which are used to supplement the Medicaid program to leverage federal money.

Ms. Faubion discussed several taxation-related issues facing the health care industry. The GRT is imposed on many health care services without the ability for the practitioner to pass on the tax to patients, resulting in less net revenue for practitioners. Fee-for-service and coinsurance payments are usually set by contract, and the practitioner is not allowed to add the GRT to a patient bill. The hold harmless payments made to local governments to offset food and health care practitioner deductions are being phased out, and those governments have to make up that revenue by increasing their GRT rate. Medicaid services are subject to the GRT, but

Medicaid reimbursements to practitioners from managed care organizations often include incorrect GRT reimbursements. A new law set to take effect in 2026 will require managed care organizations to reimburse practitioners for the exact amount of GRT that the practitioner owes. Most Medicare services are deductible from the GRT, but tax incidence varies depending on the facility in which the service is being provided. Hospitals can claim a 60 percent deduction for all health care services but generally do not receive any other preferential tax treatment. Overall, the health care industry is taxed at 3.3 percent, making it one of the lowest-taxed industries in the state.

Ms. Faubion presented a few options for the legislature to consider to fix the problem of practitioners being required to pay the GRT that they are not allowed to pass on to patients. One solution would be to require insurers, rather than practitioners, to pay that portion of the GRT. However, since most large employers use "self-funded employer plans", which are exempt from state taxation by federal law, this change would only impact 40 percent of the market. Another solution would be to allow a deduction for all insurance-covered health care services. This would solve most of the problem for practitioners but would create significant revenue losses for the state and local governments and maintain the hospital tax treatment disparity. A third option would be to allow a deduction for all health care services provided by practitioners; however, this option would also create a significant revenue loss and would lower Medicaid reimbursements made by the federal government. The presentation materials can be found here:

https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/30/2025&ItemNumber=2.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the meeting adjourned at 12:50 p.m.