

**MINUTES
of the
FIFTH MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**December 15-16, 2025
State Capitol, Room 322
Santa Fe**

The fifth meeting of the Revenue Stabilization and Tax Policy Committee was called to order by Senator Carrie Hamblen, chair, on December 15, 2025 at 9:14 a.m. as a subcommittee in Room 322 of the State Capitol in Santa Fe. The committee achieved a quorum at 9:46 a.m.

Present

Sen. Carrie Hamblen, Chair
Rep. Derrick J. Lente, Vice Chair (12/16)
Sen. Heather Berghmans (12/15)
Rep. Micaela Lara Cadena
Sen. Pete Campos (12/15)
Rep. Christine Chandler
Rep. Mark Duncan
Sen. Natalie Figueroa
Rep. Doreen Y. Gallegos
Rep. Patricia A. Lundstrom
Sen. Gabriel Ramos (12/16)
Sen. William E. Sharer
Rep. Luis M. Terrazas (12/16)
Sen. Peter Wirth (12/16)

Absent

Sen. Craig W. Brandt
Sen. George K. Muñoz
Rep. Mark B. Murphy
Rep. Cristina Parajón

Designees

Sen. Antonio Maestas (12/16)

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

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

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

Minutes Approval

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

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.

Monday, December 15

Revenue Forecast (9:17 a.m.)

Ismael Torres, chief economist, Legislative Finance Committee (LFC); Stephanie Schardin Clarke, secretary, Taxation and Revenue Department (Tax & Rev); and Leo Delgado, chief economist, Department of Finance and Administration, presented the latest revenue forecast prepared by the Consensus Revenue Estimating Group. Secretary Schardin Clarke discussed the global, national and state economic forecast. She also discussed expected reductions in the growth in oil production and revenues generated; the gross receipts tax (GRT) outlook, which remains unchanged from the August 2025 forecast of approximately two percent growth in fiscal year 2027; the personal income tax (PIT) revenue outlook, which was reduced more than \$150 million over three years from the August 2025 forecast; the estimate for corporate income tax (CIT), which was revised downward \$320 million; and severance taxes and oil and gas revenues, which are expected to meet fiscal year 2024 levels instead of increasing.

Dr. Delgado discussed the update to the revenue estimate to recurring revenues to the general fund, which decreased by \$322 million for fiscal year 2026, resulting in an estimated decline in revenue from fiscal year 2025 by \$213 million, followed by an increase in revenue of \$530 million in fiscal year 2027, with "new" money expected to be \$105 million for that fiscal year.

Mr. Torres discussed the LFC's concerns about the revenue and economic outlook, as well as optimism about the state's ability to withstand any possible economic downturn. The nationwide economic "soft landing" is looking increasingly difficult as labor conditions, inflation and business conditions continue to sour, and economic success is becoming dependent on high-income earners and the artificial intelligence industry. The New Mexico economy and state revenues are facing challenges from low oil prices and lower CIT revenues. However, Mr.

Torres said that the state is well-equipped financially to withstand a short-term economic downturn. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/15/2025&ItemNumber=1>.

Tax Expenditure Report (11:01 a.m.)

Secretary Schardin Clarke and Lucinda Sydow, chief economist, Tax & Rev, presented the 2025 tax expenditure report. Secretary Schardin Clarke described how tax expenditures are classified and gave a primer on exclusions, exemptions, deductions and credits. In fiscal year 2025, the total dollar value of tax expenditures impacting the state was \$2.3 billion, down \$300 million from the previous fiscal year. The bulk of the expenditures were from the citizen benefit and health care categories.

Ms. Sydow discussed several individual tax expenditures, including the relatively new child income tax credit, the GRT deduction of food, the working families tax credit, various health care deductions and credits, the film production tax credit and the deduction from GRT from selling professional services to manufacturers. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/15/2025&ItemNumber=2>.

Approval of Minutes (1:04 p.m.)

The minutes from the October 27-28, 2025 meeting of the committee were approved without changes.

Costs of Providing Medical Care in New Mexico (1:05 p.m.)

John Andazola, M.D., F.A.A.F.P., chief medical officer, La Clinica de Familia, and chair, New Mexico Graduate Medical Education Expansion Board; Arthur Berkson, M.D., diplomate, American Board of Family Medicine, president, Dona Ana County Medical Society, and owner and president, Integrative Medical Center of New Mexico; Lookman Lawal, M.D., M.H.C.D.S., F.A.C.C., F.H.R.S., assistant professor of medicine, Texas Tech University Health Sciences Center, assistant professor of medicine, Burrell College of Osteopathic Medicine, chair, Legislative Committee, Dona Ana County Medical Society, and president and founder, Southwestern Cardiac Arrhythmia Institute; and Jana G. Williams, M.D., owner and board-certified pediatrician, Full Bloom Pediatrics, owner and board physician, Thrive MD Lifestyle Medicine, and medical director, Shape Health, discussed reasons why recruiting and retaining doctors and other health care providers in the state is so difficult.

Dr. Berkson discussed reasons why it has become increasingly difficult for private medical practices in the state to stay in business, including the cost of medical malpractice, GRT taxation, loss in reimbursements from insurance, including Medicaid and Medicare, and increased expenses. Dr. Berkson said that recruitment has become a huge problem in the state,

and policymakers should enact legislation to make the state more attractive to health care providers, including medical malpractice reform and eliminating the imposition of the GRT on all health care services.

Dr. Williams discussed the cost of practicing medicine, beginning with the cost of education, the difficulties in navigating insurance reimbursements and the private equity consolidation of most medical care in the country. In New Mexico, the extra cost of GRT and the huge costs of medical malpractice insurance add significant costs to running a health care business.

Dr. Andazola discussed the shortage of physicians in the state and the economic impact that each physician has in the area. The loss of 248 physicians in the state since 2019 equates to an economic loss of \$471 million and a loss of 2,800 jobs. Dr. Andazola said that the state is unable to recruit and retain enough physicians due to the high medical malpractice costs, the imposition of the GRT and the lower physician reimbursements due to a higher percentage of patients enrolled in Medicaid. In addition, more physicians need to be willing to train medical residents in their final few years of education.

Dr. Lawal said that the top three reasons why physicians are leaving the state or retiring early are medical malpractice issues, low Medicaid reimbursement rates and the GRT imposition on health care services. He discussed several medical malpractice reforms that the legislature should consider, including raising the burden of proof for punitive damages; either capping punitive damages or directing most punitive damage awards to a new patient safety fund; ending "venue shopping" by requiring that medical malpractice cases be brought in the county in which the patient was injured; preventing multiple lawsuits being filed for a single injury; ending lump-sum payment options for medical care awards; encouraging physician-patient communication by making statements of apology to patients inadmissible in court; and capping attorney fees. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/15/2025&ItemNumber=3>.

The Forever War: Tax Incentives and Economic Development (2:49 p.m.)

Billy Hamilton, former deputy chancellor and chief financial officer, Texas A&M University System, discussed the decades-old competition between states to attract various industries to move to the state. Giving incentives to desired industries, like manufacturing plants, research and development businesses, film production companies, data centers, electric vehicle battery plants and quantum computing facilities, while sounding like good policy, rarely provides a positive return on investment for the state. However, state officials often feel pressured to enact incentives to lure businesses to the area and are compelled to offer better incentives than competing states. Mr. Hamilton suggested that incentive packages be treated like

public expenditures and be evaluated based on a reasoned risk-reward basis and designed with strict standards of accountability. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/15/2025&ItemNumber=4>.

Recess

The meeting recessed at 3:33 p.m.

Tuesday, December 16

Reconvene

The meeting reconvened at 9:08 a.m.

A History of Tax Packages in New Mexico (9:10 a.m.)

Pam Stokes, senior staff attorney, LCS, discussed various tax packages and notable tax changes that the legislature has considered since 1966, including:

- the conversion of the emergency school tax into the GRT and the enactment of the Resources Excise Tax Act in 1966;
- the enactment of 24 bills in 1969 resulting from the Franklin Jones study to increase the GRT and repeal the municipal sales tax, increase the PIT and CIT rates and increase the motor vehicle excise tax (MVET);
- the reformation of the property tax system in 1973;
- the "Big Mac" tax package in 1981, which reduced the GRT and PIT rates, expanded CIT tax brackets, replaced the municipal occupancy tax with a municipal GRT and readjusted the 20 mill property tax allocation from the state and public schools to counties and municipalities;
- the increase in multiple tax rates in 1983 in order to raise revenue;
- another revenue-raising tax package in 1986 to raise the rates of the GRT and PIT and to modify exemptions and allow a municipal credit against a portion of the GRT;
- a package in 1991 that reduced the municipal GRT distribution, distributed most of the MVET revenue to the general fund, tied the PIT system to federal law, eliminated several GRT livestock exemptions and required advance payments from several oil- and gas-related taxes;
- a tax relief package in 1994 that decreased the gasoline tax, restructured PIT brackets to reduce the "marriage penalty", expanded the low-income comprehensive tax rebate (LICTR) and created a prescription drug PIT credit;
- a 1998 tax relief package to reduce PIT rates, replace the prescription drug PIT credit with a GRT deduction and expand the LICTR;
- a major reduction in PIT rates and expansion of a deduction for capital gains in 2003;
- the creation in 2004 of food and medical services deductions from the GRT and "hold-harmless" distributions to counties and municipalities;

- a comprehensive tax relief measure in 2005 to provide PIT exemptions and GRT deductions, expand the film production tax credit, create an affordable housing tax credit and a research and development credit and expand the renewable energy production tax credit;
- a tax package in 2007 that provided various GRT, PIT and CIT relief provisions in the areas of economic development, energy, citizen benefit and health;
- a tax relief package in 2008 to provide a one-time PIT rebate and expand the working families tax credit;
- a tax relief package in 2013 to make changes to the film production tax credit, reduce CIT rates, allow single-sales apportionment for certain businesses while requiring some multistate corporations to file combined tax returns and phase out the GRT hold-harmless distributions and allow municipalities and counties to impose new GRT increments;
- a tax package in 2016 to reduce distributions and tighten certain health care industry GRT deductions and requirements for the high-wage jobs tax credit;
- a massive tax package in 2019 that reformed GRT sourcing rules and provided for internet sales taxation, created local compensating taxes, provided a more uniform tax structure for hospitals, required combined reporting for all multistate corporations, increased PIT rates for top-income earners, increased the cigarette tax, increased the MVET rate, increased the working families tax credit and created a dependent deduction in PIT to offset federal law changes;
- a tax relief package in 2022 that reduced the GRT rate; created a PIT credit, the child income tax credit, an exemption for military retirement income and certain social security income; and addressed GRT tax pyramiding by creating new GRT deductions;
- a tax relief package in 2023 that, after line-item vetoes, provided tax relief to low- and middle-income families, the health care industry and the film industry;
- a tax relief package in 2024 that provided various GRT, PIT and CIT deductions and credits and increased revenue by limiting the capital gains deduction and provided a flat CIT rate of 5.9 percent; and
- a tax relief and revenue-raising package in 2025 that was vetoed but would have provided a new tax credit similar to the federal earned income tax credit, a GRT deduction for coinsurance payments and an increase in the liquor excise tax. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/15/2025&ItemNumber=5>.

Bill Proposal: Including Coinsurance in the Health Care Practitioner Gross Receipts Deduction (10:03 a.m.)

Senator Figueroa presented proposed legislation that would expand a GRT deduction for copayments and deductibles to include coinsurance payments.

Bill Proposal: Amending the Credits for the Conveyance of Property for Conservation or Preservation Purposes (10:23 a.m.)

Representative Matthew McQueen; Jonathan Hayden, executive director, New Mexico Land Conservancy; and Cecilia Rosacker, executive director, Rio Grande Agricultural Land Trust, discussed proposed legislation that would increase the amount of PIT and CIT credits for the conveyance of property for conservation or preservation purposes. The proposed bill would increase the allowable amount of the credit to \$2 million, increase the percent of fair market value on which the credits are based to 80 percent and make the credits refundable. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/15/2025&ItemNumber=7>.

Bill Proposal: 2% Tax Proposal (10:48 a.m.)

Senator Sharer discussed proposed legislation that would reform the current tax system in New Mexico by repealing more than 100 credits, deductions and exemptions from various tax programs and provide a uniform tax rate of two percent in those programs.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the meeting adjourned at 11:22 a.m.