

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

**August 14, 2025
State Capitol, Room 322
Santa Fe**

The second meeting of the Revenue Stabilization and Tax Policy Committee was called to order as a subcommittee by Senator Carrie Hamblen, chair, on August 14, 2025 at 9:12 a.m. in Room 322 of the State Capitol in Santa Fe. The committee achieved a quorum at 9:15 a.m.

Present

Sen. Carrie Hamblen, Chair
Rep. Derrick J. Lente, Vice Chair
Sen. Heather Berghmans
Rep. Micaela Lara Cadena
Sen. Pete Campos
Rep. Christine Chandler
Rep. Mark Duncan
Sen. Natalie Figueroa
Rep. Patricia A. Lundstrom
Sen. George K. Muñoz
Rep. Mark B. Murphy
Sen. Gabriel Ramos
Sen. William E. Sharer
Rep. Luis M. Terrazas

Absent

Sen. Craig W. Brandt
Rep. Doreen Y. Gallegos
Rep. Cristina Parajón
Sen. Peter Wirth

Designees

Sen. Antonio Maestas

Rep. Joanne J. Ferrary
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

Ric Gaudet, Researcher, LCS

Sabina Gaynor, Staff Attorney, LCS

Gabriel Suazo, Intern, 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.

Thursday, August 14**New Mexico Tax Policy 101 (9:15 a.m.)**

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department (Tax & Rev), and Ismael Torres, chief economist, Legislative Finance Committee (LFC), discussed with the committee the major tax programs in the state. Secretary Schardin Clarke discussed the gross receipts tax (GRT) and described the switch to destination-based sourcing that occurred in 2021. She also discussed the compensating tax, cigarette tax, tobacco products tax, liquor excise tax, premium tax, gaming excise tax, cannabis excise tax, motor vehicle excise tax, personal income tax and corporate income tax.

Mr. Torres discussed oil and natural gas taxes, which overall account for 22 percent of revenue to the general fund. He also briefly discussed taxes that benefit other state funds, discussed the unemployment insurance tax and discussed taxes that benefit local governments. He also discussed tax policy principles and how tax expenditures interact with those principles.

Secretary Schardin Clarke described the annual Tax Expenditure Report published by the Tax & Rev and provided a high-level view of the largest tax expenditures. She also discussed tax changes made by the 2025 regular legislative session, including codification of recent veteran property tax exemptions, multiple tax cleanup provisions, streamlining the high-wage jobs tax

credit, providing for municipal flood recovery bonds, creation of a State Fairgrounds District and increasing workers' compensation assessments and telecommunications relay surcharges. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/14/2025&ItemNumber=1>.

New Mexico Revenue Sources (10:49 a.m.)

Dawn Iglesias, chief investment operations officer, State Investment Council (SIC), and Mr. Torres discussed New Mexico's revenue sources and challenges to maintaining that revenue. Mr. Torres discussed the volatile nature of much of New Mexico's revenue sources; the share of various programs that make up the General Fund operating budget; the recurring funding sources of that fund; the role of reserves and investment funds in stabilizing volatile revenue sources; and the expected long-term decline in oil and gas revenue and how that may impact recurring revenues.

Ms. Iglesias discussed the role of the SIC in managing the state's 14 investment funds. The Land Grant Permanent Fund is the largest fund, which benefits various congressionally mandated beneficiaries and consists mainly of oil and gas royalties. The Severance Tax Permanent Fund receives severance tax revenues and distributes a portion of the corpus of the fund each year to the General Fund. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/14/2025&ItemNumber=2>.

Approval of Minutes

The minutes of the committee from its June 6, 2025 meeting were approved without changes.

Introduction to Tax Expenditure Assessments (11:41 a.m.)

Brendon Gray, economist, LFC, and Drew Weaver, program evaluator, LFC, discussed the LFC's ongoing assessment of various tax expenditures. Mr. Gray said that in the 2025 interim, the study is focusing on economic development tax expenditures, including using dynamic modeling tools. The assessments do not provide recommendations or a cost-benefit analysis for expenditures, but may do so in the future. The LFC measured the return in revenue to the state and the economic return on investment for several tax expenditures.

Mr. Weaver discussed the results of the study of several tax expenditures, including the high-wage jobs tax credit, the rural job tax credit, the technology jobs and research and development tax credit, the laboratory partnership with small business tax credit and the

technology readiness gross receipts tax credit, against the GRT. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/14/2025&ItemNumber=3>.

Overview of the Congressional Reconciliation Bill (1:05 p.m.)

Helen Hecht, uniformity counsel, Multistate Tax Commission, and Richard Anklam, president and executive director, New Mexico Tax Research Institute, discussed the recent congressional reconciliation bill and its impacts on New Mexico. Ms. Hecht discussed the structure of state codes, and how most of them link to federal tax laws. Most states use the federal "adjusted gross income" as the starting point for computing state income tax. She described how adjusted gross income is modified for state purposes, and how interconnected the state's income tax system is with the federal tax system.

The One Big Beautiful Bill Act, enacted in July 2025, made approximately 120 changes to federal tax deductions and exclusions, many of which will have an impact on New Mexico. Some important changes include making the standard deduction increase permanent; creating a \$6,000 deduction for seniors that is reduced as income increases; reducing the maximum tax reduction benefits of higher-income people with significant charitable contribution deductions; increasing state and local tax deduction amounts; making permanent income exclusions for employer-provided student loan payments; making permanent the home mortgage interest deduction; creating a deduction from income of qualified tips and qualified overtime pay; changing the cap on the deduction of interest; allowing a 100 percent depreciation deduction for certain qualified property; and making permanent the immediate expensing of domestic research and experimental expenditures. The legislation also made modifications to how income of multinational companies is apportioned and changed certain deductions and credits related to that system. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/14/2025&ItemNumber=4>.

State Road Fund Revenue Sources and a Comparison to How Other States Fund Transportation Infrastructure (2:22 p.m.)

Ricky Serna, secretary, Department of Transportation (DOT), and Michael Morrison, chief economist, DOT, discussed funding sources for DOT operations and projects, including the growing gap between funding and infrastructure needs. Secretary Serna discussed the state's road conditions; the \$5.6 billion in unfunded transportation projects in the state; the DOT's primary funding sources; a comparison of gasoline tax incidence with other states over time; New Mexico's poor ranking nationally in gasoline tax and special fuel excise tax revenue per lane mile; registration and motor vehicle excise tax comparisons with other states; and a legislative attempt in 2025 that would have raised some registration fees and dedicated all of the motor vehicle excise tax revenues to the State Road Fund and allowed the DOT to bond against that revenue stream.

Mr. Morrison discussed the short-term and long-term forecast for the State Road Fund. Revenues to the fund are not expected to cover annual expenses within the next 15 years, due to increasing construction costs and improvements in fuel efficiency in motor vehicles. In addition, the real value of gasoline and diesel fuel taxes have decreased in the more than 30 years since those tax rates have last been changed. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/14/2025&ItemNumber=5>.

Public Comment

There was no public comment.

Adjournment

There being no further business before the committee, the meeting adjourned at 3:39 p.m.