State of New Mexico
Legislative Council Service

490 Old Santa Fe Trail, Suite 411, Santa Fe, New Mexico 87501 (505) 986-4600

Information Memorandum

DATE: September 1, 2026

TO: Revenue Stabilization and Tax Policy (RSTP) Committee Members

FROM: Representative Derrick J. Lente, Chair

SUBJECT: PROPOSAL SUBMISSION PROCESS

Thank you for your willingness to participate in a new committee practice with open minds and open hearts. The intent behind this effort is to encourage transparency in the creation and development of New Mexico tax policy. The new proposal process will also help the committee to better understand the financial capacity for tax legislation through a budget recommendation provided by the Legislative Finance Committee (LFC), ultimately allowing for better planning as we head into the next legislative session. It is my hope that the new proposal process will allow adequate time to become familiar with tax policy initiatives before the session and to identify needed changes to tax policy.

- Requests to make a presentation of a proposal should be submitted to derrick.lente@nmlegis.gov and cristina.vasquez@nmlegis.gov by the due date that corresponds with the topic of the proposal.
- Submissions must include a draft of the proposal drafted by the Legislative Council Service and state whether the requester wants the proposal to be considered in the RSTP tax package.
- If Chair Lente approves the presentation, committee staff will contact the requester.
- Submitted drafts of approved proposals will be forwarded to LFC economists to prepare a proposal revenue analysis to be shared with committee members to assist in their review of the proposal.
- Tax proposals considered by the committee should be evaluated using the following principles:
    - **Adequacy** — The tax system should raise sufficient revenue to fund needed government services and maintain long-term fiscal stability.
    - **Efficiency** — The tax base should be as broad as possible, avoid unnecessary distortions in taxpayer behavior and avoid excessive reliance

on a single revenue source. Tax incentives and preferences should prioritize the highest return and lowest cost per intended behavior to ensure that taxpayer dollars are used effectively.

    - **Simplicity** — Tax provisions should be understandable, administrable and easy for taxpayers and the Taxation and Revenue Department to comply with and enforce.
    - **Accountability** — Tax preferences should be measurable, monitorable and subject to review, reporting and repeal if they do not meet their stated purposes.

- Presentations of proposals should include the following information:
    - **Clearly stated purpose** to identify the problem that it is intended to solve and explain why a tax policy change is the appropriate tool. The lack of or inability to identify a clearly stated purpose prevents the evaluation of proposals and the appropriate designing necessary to effectively craft prudent policies. For economic development incentives, the purpose should be included in the language of the proposal itself.
    - **Theory of change or logic model** to explain how the tax change is expected to produce the intended outcome, including the taxpayer behavior it is intended to affect.
    - **Measurable goals and targets** to identify expected outcomes, the population or activity affected and how success will be measured.
    - A discussion on the proposal's **Expiration Date** that would allow for regular evaluation of effectiveness.
    - **Expenditure caps where possible.** A credit, rebate or other tax expenditure should include an annual or aggregate cap when administratively feasible to protect the state from open-ended and volatile liabilities.
    - **Effective targeting** to clearly identify eligible taxpayers or activities and avoid benefits that are broader than necessary to achieve the stated purpose.
    - **Reporting requirements.** A proposal should require sufficient reporting to allow the legislature and the public to monitor utilization, fiscal cost and outcomes. A proposal should also provide for data collection, sharing and analysis necessary to evaluate performance.
- **This new practice for the RSTP Committee is not intended to restrict the introduction of any legislation as we move into the next legislative session. The intent is to allow transparency in tax policymaking, to plan and create financial capacity for the creation of a potential tax package. If proposals do**

not meet RSTP deadlines, it simply means that those proposals may not be accounted for in the committee's financial planning of a tax package.

PROPOSAL DUE DATE	**MEETING**	**MEETING TOPIC**
September 1	September 14-15	Local government revenues, transportation and energy
October 1	October 14-15	Economic development, property tax and affordability (including housing, retail purchasing, etc.)
October 30	November 12-13	Citizen benefits (including health care, children and families, etc.), broad-based tax changes and tax administration
No new proposals	December 14	Presentations for endorsement