

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

January 19, 2024

Bill: HB-83

Sponsor: Representatives Linda Serrato, Doreen Y. Gallegos, Dayan Hochman-Vigil, and Meredith A. Dixon

Short Title: Angel Investment Credit Eligibility

Description: This bill extends the date of a “qualified investment” which may be claimed for the Angel Investment Credit from December 31, 2025 to December 31, 2030.

Effective Date: Not specified; 90 days following adjournment (May 15, 2024). Applicable to applications made on or after January 11, 2024.

Taxation and Revenue Department Analyst: Sara Grubbs

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2024	FY2025	FY2026	FY2027	FY2028		
--	--	--	(\$1,100)	(\$1,100)	R	General Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact: The Taxation and Revenue Department (Tax & Rev) reviewed the historical claims and credit amounts of the Angel Investment Credit. The average aggregate amount applied towards Personal Income Tax (PIT) liability in the last five fiscal year years is \$900 thousand with a weighted average growth rate of 4.3%. Tax & Rev assumes that the Angel Investment Credit aggregate amount from FY2024 to FY2028 will be claimed at the same historical average rate.

Policy Issues: Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 25% of the state’s recurring general fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of taxable income and ties to other statutes in the federal tax code. This is referred to as “conformity” to the federal tax code. The PIT is an important tax policy tool that has the potential to further both horizontal equity, by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers’ ability to pay.

This credit is meant to encourage taxpayers to invest in the state with an assumed benefit to the economy of the state. While any taxpayer may apply for this credit, most of the financial benefit of this credit will be realized by high earning individuals. The broader economic benefit to the state of these investments, which may include additional jobs, wages, and economic development, is hard to measure though and it is unclear if it exceeds the loss of PIT revenue.

The bill extends the sunset date to December 31, 2030, applicable to the date by which the investment must be made. Tax & Rev supports sunset dates for policymakers to review the impact of a credit before extending it.

Additional analysis of Section 7-2-18.17 NMSA 1978 can be found in the 2023 New Mexico Tax Expenditure Report¹.

Technical Issues: None

Other Issues: None.

Administrative & Compliance Impact: Tax & Rev will make information system changes and update forms, instructions, publications. These changes will be included in annual tax year changes.

Tax & Rev’s Administrative Services Division (ASD) will test credit sourcing and perform other systems testing. It is anticipated this work will take approximately 40 hours split between 2 Full-Time Equivalent (FTE) of a pay band 70 and a pay band 80 at a cost of approximately \$2,900.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2024	FY2025	FY2026	3 Year Total Cost		
--	\$2.9	--	\$2.9	NR	Tax & Rev – ASD Operating

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).

Related Bills: Similar to HB-69 (2023 Legislative Session)

¹ See <https://www.tax.newmexico.gov/forms-publications/>