

LFC Requester: \_\_\_\_\_

**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**Analysis.nmlegis.gov**

*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply:

Original  Amendment   
Correction  Substitute

Date 1/24/2024

Bill No: HB216

Sponsor: Jason C. Harper Agency Name and Code: Economic Development Dept. 41900  
Short Title: Flat corporate income tax rate Person Writing: Joel Salas  
Title: \_\_\_\_\_ Phone: (505)490-7962 Email: joel.salas@edd.nm.gov

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

House Bill 216 (HB216) amends the corporate income tax rates, NMSA 1978, Section 7-2A-5. The bill creates a flat corporate income tax rate of 5.9% for all income levels, removing the lower tax rate of 4.8% for corporations with taxable income below \$500,000.

Additionally, HB216 changes the apportionment of business income to the state by multiplying income by the sales factor only, which originally was multiplied by a fraction, the numerator of which was the property factor plus the payroll factor plus the sales factor and the denominator of which was three.

The new tax rate and apportionments will begin with taxable years beginning January 1, 2025, and the effective date of this bill is January 1, 2025.

**FISCAL IMPLICATIONS**

**SIGNIFICANT ISSUES**

HB216 will increase the tax liability of corporations by \$5,500 whose taxable income is over \$500,000 and up to \$5,500 for corporations whose incomes fall below \$500,000. Increasing tax liabilities of lower income businesses in New Mexico could, in some cases, slow their growth and put additional strains on the companies.

**PERFORMANCE IMPLICATIONS**

**ADMINISTRATIVE IMPLICATIONS**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL  
AMENDMENTS**