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 X **Amendment** ____
Correction ___ **Substitute** ____

Date 1/25/24
Bill No: HB219

Sponsor: Jason C. Harper
Short Title: Reduce Gross Receipts Tax Rate

Agency Name and Code Number: Economic Development Dept. 41900
Person Writing Joel Salas
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)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(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 219 (HB219) decreases the gross receipts tax (GRT) and compensating tax rates from 4.875 percent to 4.625 percent. Additionally, HB219 lowers the increase in GRT and compensating tax rates that can occur if GRT revenues are less than ninety-five percent of the GRT revenues for the previous fiscal year from 5.125 percent to 4.875 percent.

HB219 amends section 7-9-46.1 NMSA 1978 to allow for gross receipts deduction on sales of professional services, expanding on what was originally a deduction on services only to manufacturers. If sales of a professional service are made to a sole proprietorship, a limited liability company, a partnership or a corporation and the taxpayer is registered with the department for payment of the gross receipts tax or with an equivalent tax program in another state or is registered as a business in another state.

The effective date of this bill is July 1, 2024.

FISCAL IMPLICATIONS

SIGNIFICANT ISSUES

Lowering the gross receipts tax and compensating tax rates can ease the burden on New Mexico residents who have been subject to increasing costs in their daily lives, a result of recent higher than average inflation.

The gross receipts tax deduction on professional services could prove beneficial to businesses across the state as savings could be passed on from the servicers to the businesses hiring the service. In cases where small businesses in New Mexico may need a particular professional service, potential cost savings on these services could free up working capital for businesses to utilize for the best of their business whether that be to grow or invest. That said, however, there is no guarantee that the deduction on professional services will be passed on but could instead be kept with the servicing company for their benefit, which could have a similar outcome as described above.

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