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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Roybal Caballero **ORIGINAL DATE** 2/10/2025

BILL

SHORT TITLE Taxpayer Income Distribution **NUMBER** House Bill 184

ANALYST Gray

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
General Fund	\$0	(\$1,330,500)	(\$1,330,500)	(\$1,330,500)	(\$1,330,500)	Recurring	General Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	\$0	\$11.5	\$0	\$11.5	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
New Mexico Attorney General (NMAG)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of House Bill 184

House Bill 184 (HB184) creates a \$1,000 annual rebate for New Mexico residents who filed a tax return. As contemplated, HB184 would require the Department of Finance and Administration (DFA) to make the distribution to taxpayers.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted.

FISCAL IMPLICATIONS

The bill is expected to reduce general fund revenue by \$1.3 billion in FY26. The Taxation and Revenue Department (TRD) used data from the 2021 rebate provided by 7-2-7.7, which incentivized the filing of more returns than on average in a taxable year. The agency writes:

TRD notes that no caveat in the bill excludes tax filers who are dependents of another tax filer to receive this rebate. Thus, every tax return – even a return from an individual who is a dependent on another return - meeting the residency requirement is included in the fiscal impact calculation. TRD then determined how many returns are associated with married filing jointly. Finally, Tax & Rev multiplied the number of joint returns by \$2,000 and all remaining returns by \$1,000 to arrive at the aggregate fiscal impact. TRD assumes the impact is flat as New Mexico’s population is projected to remain flat in the near term.

The bill is scored in this analysis as carrying a revenue impact. However, it is unclear how the DFA would administer this legislation, and it may be more appropriately labeled as an appropriation because the department would draw funds from general fund balances, not from a specific tax program. This analysis may be updated upon receipt of analysis from DFA.

TRD notes a minimal nonrecurring cost associated with this bill for system updates.

SIGNIFICANT ISSUES

TRD notes that the bill essentially lowers the personal income tax (PIT) liability for every New Mexican by \$1,000 each year and comes with a dramatic fiscal impact. The estimated costs associated with HB184 would represent about 11 percent of recurring general fund revenues in FY26. The agency notes:

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 distribution erodes vertical equity by distributing an equal amount of \$1,000 regardless of the income of the tax filer and their ability to pay PIT.

The agency goes on to observe that if the policy goal is to lower the PIT liability for residents, adjusting the marginal PIT tax rate brackets—paired with increases of refundable credits and rebates--would be a more efficient method. Other methods could more easily target those with less disposable income, “preserving vertical equity while also increasing the economic impact as those taxpayers spend the money in the local economy,” the agency writes.

Lastly, the agency notes that it is unclear why the legislation requires DFA to make the annual distributions:

TRD is the administrator of taxes in New Mexico. This tax relief could much more efficiently be handled with taxpayers claiming the intended rebate annually on their PIT return. Doing this would also ensure that taxpayers who file an extension by April 15 but do not ultimately follow through with filing a tax return by October 15 do not receive the rebate. Finally, TRD garnishes tax refunds for certain offsets, including for child support liabilities and federal unpaid taxes. Leaving this rebate with TRD rather than DFA will ensure a taxpayer’s liabilities are paid before they receive any additional rebate.

TECHNICAL ISSUES

TRD makes note of several technical issues:

In subsection A, on page 1, DFA is to distribute \$1,000 on or before April 15 to each resident who has filed an income tax return for the “previous taxable year.” Yet, April 15th is the date that tax returns are due for the “previous taxable year”. TRD cannot immediately process returns in order to create a data file to share with DFA for taxpayers who file at or near the end of the filing period, as taxpayers will have until midnight on April 15th to file. TRD suggests a distribution date of June 15th of each year. This will allow time to produce the data file for DFA and still be within the fiscal year end date of June 30th.

The bill does not specifically state whether filers who file a return or a request for an extension after April 15 are entitled to the distribution. Some filers file their returns late without requesting an extension, or file their requests for extension late. TRD suggests amending the language of the bill on page 1, lines 21-22, to state “... for the previous taxable year pursuant to the Income Tax Act on or before April 15 of the current taxable year.” If late filers are allowed to claim the distribution, Tax & Rev will not be able to meet the requirements of the bill to distribute to all qualifying taxpayers by April 15 or any certain date. Furthermore, limiting eligibility to those who file their returns or requests for extension on or before April 15 will encourage the timely filing of returns by taxpayers.

This bill does not define an effective and applicability date for the distribution under Section 1 by DFA. TRD suggests an effective date of January 1, 2027, for Section 1, applicable to Tax Year 2026. This effective date will provide time for DFA and TRD to establish data sharing processes and procedures to securely share taxpayer data.

Subsection B defines “resident.” For brevity in the statute, TRD suggests that subsection B reference statute 7-2-2 S NMSA 1978.

BG/hj/SL2