

LFC Requester:	
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## AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**  
**[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.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}*

**Date Prepared:** January 21,2026 **Check all that apply:**  
**Bill Number:** HB 92  **Original**  **Correction**   
 **Amendment**  **Substitute**

<b>Sponsor:</b> <u>Elaine Sena Cortez and Cathrynn N. Brown</u>	<b>Agency Name and Code Number:</b> <u>Aging and Long-Term Services Department - 6400</u>
<b>Short Title:</b> <u>Social Security Income Exemption Expansion</u>	<b>Person Writing</b> <u>Julie Sanchez</u> <b>Phone:</b> <u>505-629-2069</u> <b>Email</b> <u>Julie.Sanchez@altsd.nm.gov</u>

### **SECTION II: FISCAL IMPACT**

#### **APPROPRIATION (dollars in thousands)**

<b>Appropriation</b>		<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>FY26</b>	<b>FY27</b>		
NA	NA	NA	NA

#### **REVENUE (dollars in thousands)**

<b>Estimated Revenue</b>			<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>FY26</b>	<b>FY27</b>	<b>FY28</b>		
NA	NA	NA	NA	NA

(Parenthesis ( ) indicate revenue decreases)

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

	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>	NA	NA	NA	NA	NA	NA

(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 92 (HB 92) proposes to expand the social security income exemption. Currently, pursuant to Section 7-2-5.14 NMSA 1978, social security income is exempt from state income tax for the following individuals: 1) married individuals filing separate returns with an adjusted gross income (AGI) of \$75,000 or less; 2) heads of household, surviving spouses, and married filers filing jointly with an AGI of \$150,000 or less; and 3) single individuals with an AGI of \$100,000 or less. HB 92 would retain these income caps, but it would expand the exemption to all other individuals who are currently over these income caps. This new exemption would be applied on an incremental basis, increasing twenty percent every two years. Initially, twenty percent of social security income would be exempt. By January 1, 2036, one hundred percent of social security income would be exempt from state income tax.

#### **FISCAL IMPLICATIONS**

There are no fiscal implications to the Aging and Long-Term Services Department.

#### **SIGNIFICANT ISSUES**

By January 1, 2036, all social security income would be exempt from state income tax. This would be for all individuals, regardless of income. New Mexico is one of eight states that tax social security income.<sup>i</sup> The current income cap creates a tax cliff whereby individuals just over the income cap are required to pay income tax on their social security benefits.

Nonetheless, extending the exemption over the current income cap will overwhelmingly benefit higher-income seniors who have other sources of income and do not rely solely on social security. Seniors with an AGI at 300% of the 2026 federal poverty guideline for a household of two would still be under the current income cap.<sup>ii</sup> This bill may impact state fund programs for lower-income New Mexicans that are funded by taxes.

Removing income caps on all social security income could potentially attract older adults to relocate to New Mexico for tax benefits purposes. However, New Mexico currently has relatively low property taxes, which may also entice older adults to relocate to New Mexico for retirement.<sup>iii</sup> Therefore, a holistic evaluation should be considered when examining the true benefit of removing income caps on social security.

This bill would have no impact on seniors who are already exempt, as they are already under the current income cap.

#### **PERFORMANCE IMPLICATIONS**

ALTSD anticipates no direct performance impact from HB 92.

## **ADMINISTRATIVE IMPLICATIONS**

ALTSD anticipates no direct administrative impact from HB 92. ALTSD may receive informal inquiries from older adults seeking clarification, but this is not expected to rise to a level requiring additional staffing or resources.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

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

If HB 92 is not enacted, existing income thresholds and phased exemptions, through the federal One Big Beautiful Bill Act (OBBA), which provides an income-based deduction for seniors 65+ for Social Security income, would remain in place. Higher-income Social Security recipients would continue to pay state income tax on a portion of their Social Security benefits. Low-income Social Security recipients would not be impacted.

## **AMENDMENTS**

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<sup>i</sup> <https://smartasset.com/retirement/retirement-taxes>

<sup>ii</sup> <https://aspe.hhs.gov/sites/default/files/documents/b1bfa16b20ae9b89d525bc35de7c1643/detailed-guidelines-2026.pdf>

<sup>iii</sup> <https://taxfoundation.org/location/new-mexico/>