

**Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department**

January 30, 2026

Bill:
HB-160

Sponsor:
Representatives Elaine Sena Cortez, Javier Martínez and Gail Armstrong

Short Title:
Create All Cities & Counties Fund

Description:
This bill creates the All Cities and Counties Fund and provides that a portion of State gross receipts tax (GRT) revenue be transferred to the fund based on a formula using population and the net gross tax receipts received by the Taxation and Revenue Department (Tax & Rev). The bill provides for a transfer from the new fund to municipalities and counties starting in FY2028.

Effective Date, Applicability, and Contingency Language:
July 1, 2026

Taxation and Revenue Department Analyst:
Pedro Clavijo

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	--	\$241,800	\$250,000	\$257,200	R	All Cities and Counties Fund – to Municipalities
--	--	\$111,500	\$115,300	\$118,600	R	All Cities and Counties Fund – to Counties
--	--	(\$353,300)	(\$365,300)	(\$375,800)	R	General Fund

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

Methodology for Estimated Revenue Impact:

This bill redirects approximately 8% of the state share of GRT revenue into the newly-created All Cities and Counties Fund and then provides for distribution of that amount to municipalities and counties. The analysis assumes that the bill redirects 8% of the state GRT distributed to the General Fund after making all other statutory distributions. Tax & Rev applied the proposed formulas to determine the revenue gain for municipalities and counties from the new distribution. The analysis assumes there are no revenue impacts to tribal governments (see Policy Issues). The estimated revenue impact is based on the annual estimates of the resident population for incorporated places in New Mexico for 2023 from the United States Census Bureau Population Estimates Program, the December 2025 Consensus Revenue Estimating Group (CREG) forecasting for net GRT to the General Fund, and local government GRT distribution reports from Tax & Rev’s report, RP-500.

Policy Issues:

State revenue sharing with local governments will strengthen local governments by providing additional revenue, with an equal and opposite impact on the General Fund’s adequacy to meet State needs.

The diversity of special funds and distributions across the Tax Administration Act is intricate, leading to a more complex tax distributions management process. The proliferation of new funds and distributions

implies a fragmentation of the existing boundaries that determine service obligations and the parameters for intergovernmental relationships between state and local governments.

The state General Fund currently makes a number of significant transfers to local governments. Under Section 7-1-6.4 NMSA 1978, State GRT revenues are already shared with all municipalities, in an amount equal to 1.225% of the 4.875% state gross receipts tax rate, (i.e., with respect to the overall 4.875% rate, 1.255% is transferred to the municipalities, and 3.620% is retained by the state.) Section 7-1-6.2 NMSA 1978 provides for a distribution to the Small Cities Assistance Fund, and Section 7-1-6.5 NMSA 1978 provides a distribution to the Small Counties Assistance Fund; Section 7-1-6.16 NMSA 1978 provides for a county equalization distribution; and pursuant to Sections 7-1-6.46 and 7-1-6.47 NMSA 1978, distributions are made to municipalities and counties to partially offset the cost of food and health care practitioner deductions. In addition, local governments have their own taxing authority to impose general and special increments of local option gross receipts and compensating taxes. While the State GRT rate was decreased in FY2023 and FY2024, local rates have tended to creep gradually higher over the past several decades. Additional distributions of State GRT revenue are also made, as authorized by local governments and the State Board of Finance, to other special taxing districts and for local economic development purposes. In addition, in 2024, SB-148 was passed to phase out the 3% administrative fee Tax & Rev historically withheld from local GRT distributions, eliminating it by FY 2029, thereby eliminating local governments' contribution to the administration of GRT on their behalf and increasing their revenue.

Simplicity and fairness are important considerations in making tax policy, and the proliferation of general and special distributions goes against those principles. Tax & Rev recommends that a bill of this nature be preceded by a review of the revenue adequacy of the State and local governments.

Administering distributions on this scale comes with challenges, including:

1. A high number of distributions and funds that are burdensome and conflicting, requiring Tax & Rev to expend resources inefficiently. Streamlining the number of funds and distributions helps reduce the administrative costs and the burden for local governments.
2. Duplication and overlap of different funds and distributions aimed at attaining the same purpose deplete the General Fund's resources and reducing the effectiveness of the current distributions.
3. Increasing the number of distributions to multiple funds reduces Tax & Rev's capacity for oversight and accountability.

The bill proposes distributing funds to municipalities and counties but does not specify whether tribal governments benefit from this new distribution. The formulas proposed in the bill use data on state population and county populations, so tribal residents, representing nearly 10.9% of the state's entire population, are used to compute the distributions, benefiting counties without any corresponding benefit to tribal governments, who also provide services to their residents. Furthermore, tribal governments that share borders with some local governments are not accounted for in the distributions.

New Mexico's tax code is out of line with most states in that more complex distributions are made through the tax code. The more complex the tax code's distributions the costlier it is for Tax & Rev to maintain the GenTax system and the more risk is involved in programming changes. By employing both Tax & Rev and the state treasurer to make financial distributions to all municipalities and counties, both agencies face added administrative burdens, and an inefficiency is created statewide.

The GRT is currently the largest direct revenue source to the General Fund, averaging 33% of recurring revenue. The loss of over \$350 million each year represents 3% of recurring General Fund Revenue based on the CREG's December 2025 forecast reducing the legislative's budget for annual appropriations.

Technical Issues:

[Section 1] Page 1, Line 19 – The bill does not state which agency administers the “all cities and counties fund”. Based on which agency administers the fund, it will determine whether GASB 84 Fiduciary Fund accounting applies to Tax & Rev and which agency distributes funds to cities and counties. If this technical issue is considered and the fund is administered by Tax & Rev, the administrative and compliance impact will change due to putting resources and staff workload into creating new distributions to every municipality and county.

Annual population estimates are released at various times of the year and given the bill’s timeline for the distribution calculations could lead to using different sources for the population estimates every year. Tax & Rev suggests a more precise definition as the source for the current population, such as the decennial census released every 10 years. Other population estimates are released from the United States Census Bureau, such as the source used for the fiscal impact. Another source could be the American Community Survey 1-year, 3-year and 5-year estimates. Providing a specific source for estimating population will provide clarity when applying this new distribution.

The annual October 1 deadline for Tax & Rev to certify to the state treasurer the transfer amounts would most likely occur before the annual General Fund audit is complete. The All Cities and Counties Fund could potentially be adjusted based on audit findings. Tax & Rev suggests an annual deadline of February 1 for Tax & Rev to certify the distribution amounts, and change the deadline for the state treasurer to distribute by March 1.

Other Issues:

None.

Administrative & Compliance Impact:

Tax & Rev will update reports including the RP-500 and make information system changes to distribute this new distribution of GRT revenue. Implementing this bill will have a low impact on Tax & Rev’s Information Technology Division (ITD) of approximately 300 hours, or about two months and \$69,000 of contractual cost. Additionally, Tax & Rev’s Administration Services Division (ASD) will require two existing FTEs and 60 hours split between pay-band eight and 10 positions to test the new distribution and certify the transfers. The GenTax system’s general ledger and reporting will need to be updated for the new distribution. Both ASD staff and the economists in the Office of the Secretary (OOS) will annually need to calculate and certify the transfers to the state treasurer. The economists will need to calculate for each county the “equalized gross receipts tax revenue” used in the formula, gather the most recent population estimates and then calculate the distributions amounts for each county and municipality. This will have a recurring staff workload impact for ASD and the OOS to be managed with current staffing.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
\$69.0	--	--	\$69.0	NR	ITD - Contractual costs
--	\$4.1	--	\$4.1	NR	ASD - Operating

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

Related Bills:

Similar to HB-440 (2023 Regular Session), HB-54 (2024 Regular Session), and SB-243 (2025 Regular Session)