

**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO  
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**SECTION I: GENERAL INFORMATION**

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

**Date Prepared:** 02/02/26

Check all that apply:

**Bill Number:** HB 221

Original  Correction

Amendment  Substitute

**Sponsor:** John Block, Stefani Lord, Alan  
Martinez, Jonathan Henry,  
Jimmy Mason

**Agency Name  
and Code  
Number:**

Department of Veterans' Services  
67000

**Short** Armed Forces Retirement  
Pay Tax Exemption

**Person Writing**

Danelle Lucero

**Phone:** 505-372-9035

**Em** Danelle.lucero@dvs.nm.gov

**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
N/A	N/A	N/A	N/A

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
N/A	N/A	N/A	N/A	N/A

(Parenthesis ( ) indicate revenue decreases)

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

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

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE:** This bill removes the \$30,000 cap on the New Mexico income tax exemption for uniformed services retirement pay, allowing retirees and their surviving spouses to exempt the full amount of their qualifying retirement pay. The change provides greater financial relief to retirees, simplifies tax reporting, and recognizes the service and sacrifice of armed forces retirees, while resulting in a moderate reduction in state income tax revenue.

## **BILL SUMMARY**

**Synopsis:** This bill eliminates the cap on New Mexico's income tax exemption for armed forces retirement pay, allowing retirees and surviving spouses to exempt the full amount of eligible retirement income from state income tax.

**FISCAL IMPLICATIONS** Minimal impact to NMDVS if HB 221 becomes law, the impact on operations is expected to be minimal. However, there will be additional administrative costs to provide promotional materials aimed at informing our veteran community about the tax exemption benefit. These costs can effectively be absorbed within the existing marketing budget without requiring additional funding.

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

**SIGNIFICANT ISSUES** Removing the \$30,000 cap on the armed forces retirement pay exemption will reduce state income tax burden on armed services veterans. Implementation will require updated eligibility education and veteran benefit forms. HB 221 does not take into account the uniform service retirees, United State Merchant Marine, the commissioned corps of NOAA and Public Health Services.

**PERFORMANCE IMPLICATIONS** NMDVS should expect increased inquiries from retirees and surviving spouses seeking eligibility guidance and documentation. NMDVS would also need to update materials, conduct statewide briefings, and coordinate messaging with other affected state agencies and veteran service organizations.

**ADMINISTRATIVE IMPLICATIONS** With the passage of HB 221, the New Mexico Department of Veterans' Services (NMDVS) will train staff members and coordinate outreach efforts to ensure the New Mexico veteran community is fully informed about the related tax benefits available to them. NMDVS will provide guidance and update printed and social media materials. These efforts will include distributing informational materials, conducting targeted outreach campaigns, and leveraging existing resources to effectively communicate these benefits.

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

Companionship: SB 116 is a similar bill removing the \$30,000 Cap on retirement pay but SB 116 updates statutory language to apply broadly to all uniformed services, including active and reserve military components, the National Guard, the U.S. Merchant Marine, and the commissioned corps of the U.S. Public Health Service and NOAA.

**TECHNICAL ISSUES** N/A

**OTHER SUBSTANTIVE ISSUES** The exemption supports NMDVS goals by improving veteran recognition and retention in the state, attracting new retirees, and strengthening community engagement.

**ALTERNATIVES** N/A

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

If the bill is not enacted, retirees and surviving spouses will remain limited to the \$30,000 exemption and remain less competitive than neighboring states (TX, AZ).

**AMENDMENTS**