

LFC Requester:

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AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to 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: 2/12/26

Check all that apply:

Bill Number: HB 338Original Correction Amendment Substitute

Sponsor:	Gallegos, Figueroa, Silva,	Agency Name	
	Terrazas	and Code	995 NMC
Short	Health Practitioner	Number:	
Title:	Grt Deduction Sunset	Person Writing	Hannah Kase Woods
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SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	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:

FISCAL IMPLICATIONS

Counties are on the front lines of delivering essential public services, including public safety, detention, infrastructure, and indigent health care. Sustainable and equitable revenue systems are critical to ensuring these services continue without interruption and legislative proposals to add exemptions, deductions, or credits directly affect a county's ability to provide these critical services.

HB338 expands the existing GRT deduction for health care practitioner services to include coinsurance (in addition to co-pays and deductibles) and extends the sunset from July 1, 2028 to July 1, 2031. Anticipated fiscal impacts for local governments grow each year and increase significantly in FY29:

- FY27: (\$10.85M)
- FY28: (\$12.25M)
- FY29: (\$23.8M)
- FY30: (\$26.1M)

LFC explicitly states the health care practitioner deduction (and this expansion) is subject to "hold harmless" formulas that do not reimburse dollar-for-dollar, and that the Legislature has placed payments on a phase-down schedule, shifting more of the impact to local governments over time. It is unclear how much of the local loss is expected to remain unreimbursed each year. It is also important to note that sunsets are often extended, and recurring losses compound when local governments are already facing uncertainty. Historically, "hold harmless" provisions have been repealed as the reality of the fiscal impacts become evident. This example has been clearly demonstrated by HB625 (2004) repealing the GRT on food and health care practitioner services estimated at a \$31.4 million loss for local governments. As the county and municipal fiscal impacts increased to over \$130 million, HB641 (2013) began a fifteen-year phase out of the hold harmless payments to local governments beginning in 2016.

County governments are highly reliant on both gross receipts taxes (GRT) and property taxes as their primary revenue sources. Local revenues losses in HB338 are expected to be concentrated where healthcare activity is greatest, and that healthcare GRT is "highly centralized geographically." While the largest impacts may cluster in urban areas, regional medical hubs (county seats with hospitals/clinics serving multi-county regions) can also see outsized impacts—and rural counties often have fewer alternative sources or reserves to absorb reductions. Depending on the specific county, this percentage of reliance can fluctuate dramatically statewide creating inequities in how deductions affect each individual county. Fiscal analysis to include an anticipated loss by county and municipality would identify anomalies when a broad tax policy change affects urban and rural communities in dramatically different ways.

ESTIMATED PERCENTAGE OF RELIANCE ON GRT & PROPERTY TAXES

COUNTY	% GRT	% Property
Bernalillo County	66%	34%
Catron County	40%	60%
Chaves County	65%	35%

Cibola County	65%	35%
Colfax County	30%	70%
Curry County	56%	44%
De Baca County	30%	70%
Dona Ana County	58%	42%
Eddy County	77%	23%
Grant County	64%	36%
Guadalupe County	41%	59%
Harding County	36%	64%
Hidalgo County	40%	60%
Lea County	60%	40%
Lincoln County	32%	68%
Los Alamos County	93%	7%
Luna County	58%	42%
McKinley County	75%	25%
Mora County	64%	36%
Otero County	60%	40%
Quay County	63%	37%
Rio Arriba County	61%	39%
Roosevelt County	48%	52%
San Juan County	69%	31%
San Miguel County	60%	40%
Sandoval County	45%	55%
Santa Fe County	62%	38%
Sierra County	56%	44%
Socorro County	54%	46%
Taos County	64%	36%
Torrance County	61%	39%
Union County	38%	62%
Valencia County	62%	38%

Source: TRD Monthly Local Govt. Distribution Reports (RP-500) & DFA Property Tax Revenue

County GRT revenues are extremely volatile, with many counties only now returning to pre-pandemic levels. In any given year, a natural disaster, significant industry change, contract with a major employer, or legislative exemption can significantly impact a county's budget. The chart below demonstrates the inconsistencies from one county to another with GRT changes ranging from a reduction of -40% to an increase of 50% depending on the specific county.

COUNTY GRT FY 24 – FY 25 AND PERCENTAGE FLUNCTUATION

COUNTY	2023-2024	2024-2025	% OF CHANGE
Bernalillo County	\$311,433,967.89	\$324,928,052.96	4%
Catron County	\$1,266,479.35	\$1,081,504.80	-15%
Chaves County	\$20,184,589.74	\$20,638,015.79	2%
Cibola County	\$6,958,199.63	\$7,964,858.55	14%
Colfax County	\$2,836,997.25	\$3,191,339.77	12%
Curry County	\$14,074,996.65	\$13,842,703.23	-2%
De Baca County	\$725,747.11	\$437,005.49	-40%
Dona Ana County	\$75,093,080.61	\$80,428,544.55	7%
Eddy County	\$102,023,642.42	\$110,665,583.90	8%
Grant County	\$10,422,932.16	\$10,985,811.65	5%
Guadalupe	\$2,309,096.37	\$1,580,581.14	-32%
Harding County	\$367,836.44	\$356,730.48	-3%

Hidalgo County	\$1,150,527.14	\$1,530,857.96	33%
Lea County	\$48,275,303.84	\$49,656,015.01	3%
Lincoln County	\$3,245,920.72	\$4,586,109.67	41%
Los Alamos County	\$102,020,036.10	\$80,447,933.21	-21%
Luna County	\$9,189,779.29	\$10,662,691.30	16%
McKinley County	\$21,646,794.94	\$21,940,043.60	1%
Mora County	\$2,453,741.22	\$2,900,483.47	18%
Otero County	\$15,815,256.71	\$18,920,825.26	20%
Quay County	\$3,700,470.44	\$4,338,288.35	17%
Rio Arriba County	\$12,025,333.11	\$12,775,339.54	6%
Roosevelt County	\$6,232,597.65	\$6,852,940.17	10%
San Juan County	\$52,967,585.19	\$59,108,909.18	12%
San Miguel County	\$7,363,373.68	\$8,377,347.91	14%
Sandoval County	\$32,121,774.61	\$28,931,720.14	-10%
Santa Fe County	\$101,773,041.62	\$106,016,330.13	4%
Sierra County	\$5,293,608.06	\$5,352,848.16	1%
Socorro County	\$4,186,809.44	\$4,632,001.90	11%
Taos County	\$20,333,385.37	\$26,233,177.31	29%
Torrance County	\$6,602,975.40	\$9,936,446.08	50%
Union County	\$1,429,472.96	\$1,270,960.60	-11%
Valencia County	\$28,637,431.31	\$29,420,899.28	3%

Source: TRD Monthly Local Govt. Distribution Reports (RP-500)

SIGNIFICANT ISSUES

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