

LFC Requester:

Graeser

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://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:** 1/22/2026*Check all that apply:***Bill Number:** SB13Original ☒ Correction ☐Amendment ☐ Substitute ☐**Sponsor:** Figueroa, Steinborn, Campos**Short** Health Care Gross Receipts**Title:** Deduction**Agency Name****and Code**Municipal League (ML)**Number:****Person Writing**Jacob Rowberry**Phone:** 505-992-3538**Email** jrowberry@nmml.org**SECTION II: FISCAL IMPACT****ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate, potentially significant	Indeterminate, potentially significant	Indeterminate, potentially significant	Recurring	Municipalities

(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:

SB13 expands a Gross Receipts Tax (GRT) deduction to include coinsurance paid directly by patients, in addition to existing deductions on copayments and deductibles. The deductions would sunset at the end of FY31.

FISCAL IMPLICATIONS

The estimated range of SB13's GRT reduction to municipalities is highly uncertain given the lack of publicly available data on healthcare spending on taxation. However, the impact is likely to be significant. The LFC's FIR notes an annual decrease of about \$16 million in local governments' GRT revenue for FY27 and FY28, and then a significant rise in the negative

impact to local governments projected at a decrease of nearly \$31 million for FY29 and nearly \$31.7 million FY30. An offsetting \$5-7 million in hold harmless payments is present in LFC's FIR for FY27-FY30. It is not clear how the impact would be allocated across individual local governments, particularly without further analysis of impacted North American Industry Classification System (NAICS) codes and payor and provider breakdowns.

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

The GRT deduction in SB13 will substantially reduce local government GRT revenues. The loss of GRT revenue would undermine local revenue stability, including cities' ability to pay for essential city services, public safety, and employee wage increases, among other needs. Municipalities rely on GRT revenue to fund operations, with over two-thirds of total municipal general fund revenue coming from GRT.

While SB13 includes a sunset date for the deduction in FY31, sunsets are often removed or extended, risking permanent, recurring revenue loss for cities.

Municipalities have limited options to raise other revenue, and creating more deductions in the tax code can lead to a need to raise taxes to maintain revenue, disproportionately harming lower-income New Mexicans.

Erosion of both local and state revenue is especially concerning at this time, given current reductions and uncertainty in federal funding.

Additionally, the proposed deductions could negatively impact municipal debt service coverage ratios, in turn impacting municipal bond ratings. Bond ratings could be affected by both a reduction in revenue, as well as the negative impact the revenue reduction would have on city budgets.

While the bill is likely intended to address healthcare provider shortages in New Mexico, the state's medical malpractice laws contribute far more than tax policy decisions to loss of medical providers in New Mexico according to a recent physician survey conducted by LFC staff, further supported by New Mexico seeing the second most medical malpractice lawsuits per capita in the country. Businesses, including healthcare providers, are more likely to invest in New Mexico when there is strong public safety, a high quality of life, and reliable infrastructure—all of which depend on local governments having sufficient tax revenues to fund essential services that make communities safe, livable, and attractive for economic growth.

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