

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

January 23, 2026

Bill:
SB-89

Sponsor:
Senator Nicole Tobiassen

Short Title:
Tax Holiday for Firearms

Description:
This bill creates an annual deduction from gross receipts tax (GRT) for retail sales by non-franchised retailers of certain property related to fishing, camping, and hunting beginning on September 8 and ending on December 31. The bill specifies what items are deductible, including camping tents, stoves, fishing rods, firearms, ammunition and bows. Firearms include pistols, rifles and shotguns.

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
--	(\$1,070)	(\$1,100)	(\$1,130)	(\$1,170)	R	General Fund
--	(\$710)	(\$730)	(\$760)	(\$780)	R	Local Governments

* In thousands of dollars. Parentheses () indicate a revenue loss.

Methodology for Estimated Revenue Impact:

The Taxation and Revenue Department (Tax & Rev) used taxable gross receipts of North American Industry Classification System (NAICS) codes related to hunting and trapping, and suppliers of sporting firearms and ammunition from the GRT RP80 report for the affected months (Sep. - Dec.) in Fiscal Year 2025 to calculate the lost revenue. The analysis excludes some NAICS codes that would include taxpayers assumed to operate under a franchise agreement, but these codes may also exclude some smaller retailers who would be eligible. The revenue loss might be higher if consumers shift their purchases to these months and to smaller retailers to take advantage of this deduction (see Policy Issues). In addition, Tax & Rev cannot anticipate the extent to which this tax holiday may be used for those goods identified in the bill with price caps. Finally, the fiscal impact was determined by using the growth rate of the Consensus Revenue Estimating Group’s (CREG) December 2025 GRT forecast and based on the statewide effective GRT rate, with a split between the general fund and local governments.

Policy Issues:

Outdoor recreation in New Mexico, including fishing, hunting, wildlife viewing, and camping, generates billions of dollars in economic impact each year and supports tens of thousands of jobs across the state. Bureau of Economic Analysis data reveal that outdoor recreation supports over 29,000 jobs and drives a \$3.2 billion economic impact.¹ Hence, a tax holiday might boost retail activity and support local businesses.

However, fiscal analyses and research by organizations such as the Institute on Taxation and Economic Policy (ITEP) generally criticize sales tax holidays. This research suggests that the benefits of a tax holiday

¹ https://www.bea.gov/sites/default/files/2024-11/orsa1124_0.pdf

primarily result from shifting the timing of purchases rather than creating new economic activity or increased total sales over the long term. Also, tax holidays are regressive, as they are open to everyone, including wealthy residents and tourists, and do not specifically target low- to moderate-income households, who are most burdened by regressive tax structures like the GRT. This is relevant because research suggests that, on average, participants in outdoor recreation tend to have higher incomes.² The specific rules, such as timing and price caps, can create administrative burdens for Tax & Rev and retailers, particularly for smaller businesses trying to ensure compliance. Finally, lost revenue can impact funding for essential public services such as education, childcare, welfare reform outdoor recreation infrastructure, and public safety. Despite the arguments against tax holidays, 19 states currently have tax holidays.³ Included among those states are Mississippi and Florida, which have enacted a similar state tax holiday for outdoor hunting, camping and fishing sales.

While tax incentives may support particular industries or encourage specific social and economic behaviors, the proliferation of such incentives complicates the tax code. Adding more tax incentives: (1) creates special treatment and exceptions to the code, growing tax expenditures and/or narrowing the tax base, with a negative impact on the general fund; and, (2) increases the burden of compliance on both taxpayers and Tax & Rev. Adding complexity and exceptions to the tax code does not comport generally with the best tax policy.

This deduction does not require separate reporting. When deductions are not required to be separately reported, Tax & Rev is unable to provide information back to policymakers on how many taxpayers have claimed the deduction and makes reporting on its impact more unreliable. In addition, this deduction does not include a sunset date. Tax & Rev supports sunset dates for policymakers to review the impact of tax expenditures before extending them.

Technical Issues:

None.

Other Issues:

[Section 1] The deduction period established in the bill, September 8 through December 31, is unusually long compared to other New Mexico tax holidays, which are typically limited to a single weekend. A nearly four-month deduction window may increase administrative complexity for both Tax & Rev and retailers, particularly in verifying eligibility, tracking qualifying sales, and ensuring consistent application of the deduction throughout the extended period. Although the dates may align with increased outdoor recreation activity, the bill does not provide a rationale for the length of the deduction period. In addition, the deduction applies only to specific categories of firearms, ammunition, and certain camping and fishing supplies, limiting the benefit to a relatively narrow group of taxpayers. From an administrative standpoint, deductions with a narrow scope can require detailed guidance, item-level verification, and additional compliance monitoring to ensure that only qualifying products are deducted during the specified timeframe.

On page 3, subsection B, lines 5 through 7, receipts from a business operating under a “franchise agreement” cannot be deducted. For clarity in this exclusion, Tax & Rev recommends defining “franchise agreement” or referencing state statute where this is defined. Ambiguity may lead to protests and litigation.

On page 3, lines 9 through 15, the bill defines “ammunition” as a hull or casing containing a primer, one or more projectiles or bullets, and gunpowder. On page 4, lines 11 through 13, the bill defines a “firearm” as a weapon capable of firing a “missile.” The term “missile” is not defined in the bill, nor is it clear whether a “missile” is intended to be included within the definition of “ammunition.” In addition, the term is used only once. Clarification is therefore needed to ensure consistency and avoid ambiguity.

² <https://www.emnrd.nm.gov/spd/statewide-comprehensive-outdoor-recreation-plan-scorp/>

³ 2025 Sales Tax Holidays: Tax-Free Weekends | Tax Foundation

On page 4, lines 11 through 13, the bill provides a deduction for firearms, including pistols, rifles, and shotguns. Presumably, these firearms would be for hunting, but the bill does not specify that. As currently written, firearms purchased for purposes other than hunting would also be deductible. If the intent is to limit firearm purchases to a specific purpose, the definition can include additional language, or on page 2, lines 20 and 24, additional restrictions on purchases could be noted.

Administrative & Compliance Impact:

Tax & Rev will need to update forms, instructions, and publications and make information system changes. These changes will be incorporated into annual legislative implementation with no impact to Tax & Rev.