

<b>LFC Requester:</b>	<b>Faubion</b>
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**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**  
[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto: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:** 1/26/26 *Check all that apply:*  
**Bill Number:** SB92 Original  Correction   
 Amendment  Substitute

<b>Sponsor:</b> <u>Padilla/Nava</u>	<b>Agency Name and Code</b> <u>Municipal League (ML)</u>
<b>Short Title:</b> <u>Construction Materials Gross Receipts Tax</u>	<b>Number:</b> _____
	<b>Person Writing</b> <u>Jacob Rowberry</u>
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**SECTION II: FISCAL IMPACT**

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

	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>		Indeterminate, likely significant	Indeterminate, likely significant	Indeterminate, likely 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:

Senate Bill 92 creates a Gross Receipts Tax (GRT) deduction for the sale of construction materials and labor for multifamily affordable housing projects. The GRT deduction proposed in SB92 sunsets July 1, 2033.

**FISCAL IMPLICATIONS**

SB92's forgone GRT revenue collection by municipalities is highly uncertain and difficult to quantify but is likely to be significant. Any estimate depends on assumptions regarding the number, size, location, and timing of qualifying affordable multifamily housing projects, as well as the local GRT rates and construction costs (materials and labor).

LFC's analysis, which notes the implicit challenges in determining an accurate fiscal impact estimate, assumes 670 units annually, plus a modest growth factor (based on recent trends), leading to an estimate of \$4 million to \$4.5 million in forgone revenue annually to local governments.

However, the potential exists for the forgone revenue loss to municipalities to be much higher as SB92 could potentially increase multifamily affordable housing construction and therefore lead to greater forgone GRT revenue for municipalities. With affordable housing needs estimated to be around 32,000 units (2022 report from New Mexico Mortgage Finance Authority), potential forgone GRT revenue for municipalities could extend into the hundreds of millions of dollars in aggregate over the coming years (through FY33 when SB92 will sunset) should multifamily affordable housing construction rapidly accelerate.

## **SIGNIFICANT ISSUES**

New multifamily affordable housing developments are associated with the need to extend municipal services (police and fire protection, emergency medical response, etc.), which are funded primarily through GRT revenues, the same GRT revenues SB92 would limit. Absent GRT revenues associated with construction activity, as proposed by SB92, may therefore constrain municipalities' ability to meet service demands generated by the same projects the deduction is intended to facilitate.

Additionally, the forgone GRT revenue created by SB92 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.

SB92 does not include a cap on the amount of GRT that may be deducted, creating additional uncertainty and fiscal risk for municipalities. Without a limit, municipalities face open-ended revenue exposure tied to the volume and scale of qualifying construction activity in their municipality. This structure limits municipalities' ability to manage or mitigate revenue losses and increases uncertainty in long-term financial planning.

While SB92 includes a sunset date of July 1, 2033, for the deduction, 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.

## **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**