

LFC Requester:

Brendon Gray

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: 01/27/2026

Check all that apply:

Bill Number: SB 116Original Correction Amendment Substitute Sponsor: Jay Christopher Block
Short UNIFORMED SVC. RETIREMENT
PAY TAX EXEMPTIONAgency Name
and CodeAging and Long-Term Services
Department - 6400

Number:

Person Writing

Julie SanchezPhone: 505-629-2069Email Julie.sanchez@altsd.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
NA	NA	NA	NA

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
NA	NA	NA	NA	NA

(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	NA	NA	NA	NA	NA	NA

(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 116 (SB 116) removes the \$30,000 cap on the state income tax exemption for uniformed services retirement pay. Under the bill, eligible retirees and surviving spouses would be allowed to claim an exemption for the full amount of qualifying uniformed services retirement pay from New Mexico taxable income, rather than being limited to a fixed maximum exemption. SB 116 applies to taxable years beginning on or after January 1, 2027.

FISCAL IMPLICATIONS:

No direct fiscal impact on ALTSD's operating budget, as the bill amends the Income Tax Act and is administered by the Taxation and Revenue Department.

Potential indirect fiscal impacts may occur over time if the policy incentivizes additional uniformed services retirees to relocate to or remain in New Mexico:

- Increased demand for aging services, including home and community-based services (HCBS), caregiver supports, and long-term care programs administered by ALTSD.

To the extent the legislation causes more military retirees to move to New Mexico and military retiree population growth is positive versus flat or negative, the fiscal impact will be larger. The revenue impact does not consider any potential positive impact, such as gross receipts tax revenue, that may result from growth in the military retiree population.

SIGNIFICANT ISSUES:

Uniformed services retirees are more likely to be older adults or approaching older age. Over time, this may shift the composition of New Mexico's aging population toward individuals with military or uniformed service backgrounds.

ALTSD may need to coordinate with veteran-serving entities and other state agencies to ensure aging services are culturally and operationally aligned with the needs of uniformed services retirees and surviving spouses.

New Mexico may currently be perceived as less attractive to uniformed services retirees, from tax perspective, compared to states that fully exempt military or uniformed services retirement pay. 28 of the 41 states with a state income tax do not tax military retirement benefits.ⁱ This could limit the state's ability to attract or retain uniformed services retirees who may otherwise contribute to local economies, particularly in rural or underserved communities.

PERFORMANCE IMPLICATIONS

No immediate performance impacts are anticipated for ALTSD upon enactment.

Over time, ALTSD may experience increased caseloads in aging and caregiver support programs.

There may also be a greater demand for outreach, benefits counseling, and long-term care options counseling tailored to veterans and uniformed services retirees.

ADMINISTRATIVE IMPLICATIONS

No direct administrative changes are required for ALTSD to implement SB 116. Potential indirect administrative considerations include:

- Increased interagency coordination with the Department of Veterans' Services, Health Care Authority, and Taxation and Revenue Department to monitor demographic and service utilization trends.
- Planning considerations for long-range service delivery and capacity, particularly in rural areas where retirees may choose to settle.

Any administrative impact would likely be absorbed within existing structures unless population shifts are substantial.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

No known conflict or duplication.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Uniformed services retirees and surviving spouses would continue to be limited to the existing \$30,000 exemption on retirement pay, with any income above that amount subject to New Mexico personal income tax.

AMENDMENTS

ⁱ <https://turbotax.intuit.com/tax-tips/military/states-that-dont-tax-military-retirement/L6oKaePdA>