

LFC Requester:

Gray, Brendon

### AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

#### SECTION I: GENERAL INFORMATION

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 1/27/2026

*Check all that apply:*

**Bill Number:** SB 117

Original  Correction   
Amendment  Substitute

**Sponsor:** Sen. Jay C. Block

**Agency Name and Code Number:** 305 – New Mexico Department of Justice

**Short Title:** UNIFORM SVC. SALARY TAX EXEMPTION

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#### SECTION II: FISCAL IMPACT

##### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis ( ) indicate expenditure decreases)

##### 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
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
 Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

*This analysis is neither a formal Opinion nor an Advisory Letter issued by the New Mexico Department of Justice. This is a staff analysis in response to a committee or legislator’s request. The analysis does not represent any official policy or legal position of the NM Department of Justice.*

**BILL SUMMARY**

Synopsis:

SB 117 proposes to expand the state income tax exemption for service in both the military and non-military branches of the U.S. Uniformed Services.

Under current law, only active duty military personnel are exempt from New Mexico’s state income tax. See NMSA 1987, § 7-2-5.11 (“A salary paid by the United States for *active duty* service in the *armed forces* is exempt from state income taxation.” (emphasis added)); *Hammack v. N.M. Taxation & Revenue Dep’t*, 2017-NMCA-086, ¶ 12 (holding that a commissioned servicemember in the USPHS was not in the “armed forces” within the meaning of Section 7-2-5.11).

Subsection 1(A) would expand this exemption to include income paid by the United States for either active duty or reserve service in the uniformed services.

Subsection 1(B) would require taxpayers receiving such an exemption to report the amount of the exemption. In turn, Subsection 1(C) would require the tax expenditure budget under NMSA 1978, Section 7-1-84 to report the annual aggregate cost of the exemption.

Subsection 1(D) proposes to define the “uniformed service” to include:

- (1) active and reserve components of the Army, Navy, Air Force, Space Force, Marine Corps, and the Coast Guard, and United States Merchant Marine;
- (2) the commissioned corps of the United States Public Health Service (USPHS);
- (3) the commissioned corps of the National Oceanic and Atmospheric Administration (NOAA); and
- (4) the national guard of any state.

**FISCAL IMPLICATIONS**

None for this office.

**SIGNIFICANT ISSUES**

None.

**PERFORMANCE IMPLICATIONS**

None for this office.

**ADMINISTRATIVE IMPLICATIONS**

None for this office.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

None.

**TECHNICAL ISSUES**

None.

**OTHER SUBSTANTIVE ISSUES**

None.

**ALTERNATIVES**

None.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Status quo.

**AMENDMENTS**

None.