

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

**January 29, 2026**

**Bill:**  
SB-117

**Sponsor:**  
Senators Jay C. Block and Anothony L. Thornton

**Short Title:**  
Uniformed SVC. Salary Tax Exemption

**Description:**  
This bill amends the personal income tax (PIT) exemption for armed forces salaries by changing the title to uniformed services salaries and includes active and reserve, the United States (U.S) merchant marine, the commissioned corps of the U.S. Public Health Service and National Oceanic and Atmospheric Administration, and the national guard of New Mexico starting in the 2026 tax year.

**Effective Date, Applicability, and Contingency Language:**  
Not specified or 90 days following adjournment (May 20, 2026). Applicability to taxable years beginning on or after January 1, 2026.

**Taxation and Revenue Department Analyst:**  
Sara Grubbs

**Estimated Revenue Impact\***

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	(\$8,000)	(\$8,300)	(\$8,600)	(\$9,000)	R	General Fund

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

**Methodology for Estimated Revenue Impact:**

New Mexico currently exempts income of active members of the armed forces from PIT under Section 7-2-5.11 NMSA 1978. This bill expands the definition of qualified military personnel that could claim this exemption.

The Taxation and Revenue Department (Tax & Rev) estimates that there would be approximately 5,660 additional taxpayers that would qualify for the exemption under this bill<sup>1</sup>. This includes members of the New Mexico Army National Guard, New Mexico Army National Guard, reserves, and commissioned corps of the United States public health service<sup>2</sup>.

Tax & Rev used the average income from the associated employment to estimate the tax liability of these groups as detailed in the table below:

Group	Count	Average Income <sup>3</sup>

<sup>1</sup> <https://demographics.militaryonesource.mil/chapter-1-total-force-characteristics>

<https://www.nmlegis.gov/handouts/MVAC%20061724%20Item%201%20New%20Mexico%20National%20Guard.pdf>

<sup>2</sup> Data on Merchant Marines and commissioned corps of the National Oceanic and Atmospheric Administration of the United States were unavailable. Tax & Rev assumes this impact is negligible.

<sup>3</sup> <https://www.salary.com/research/salary/hiring/army-reserves-salary/santa-fe-nm;>  
<https://www.ziprecruiter.com/Salaries/Commissioned-Corps-Salary--in-New-Mexico;>

Reserves (not incl. Air Force)	1074	\$44,228
Reserves (Air Force)	231	\$64,935
National Guard	4321	\$38,366
Commissioned Corps of the United States public health service	40	\$82,502

Tax & Rev applied New Mexico PIT rates under married filing joint to each group to estimate the fiscal impact. Using the University of New Mexico’s Bureau of Business and Economic Research (BBER) January 2026 forecast, Tax & Rev grew the estimate annually by BBER’s New Mexico’s government wage and salary growth.

**Policy Issues:**

PIT represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 16% of the state’s recurring General Fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of “adjusted gross income” (AGI) and ties to other statutes in the federal tax code. This is referred to as “conformity” to the federal tax code. The PIT is an important tax policy tool that has the potential to further both horizontal equity by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers’ ability to pay. By basing the credit on a profession, taxpayers in similar economic circumstances are no longer treated equally.

In *Hammack v. New Mexico Taxation & Revenue Department*, 2017-NMCA-086, 406 P.3d 978, the Court held that officers of the United States Public Health Service (USPHS) were not on active duty service in the armed forces within the meaning of Section 7-2-5.11 NMSA 1978, which exempted from state income taxation a salary paid by the U.S. to a taxpayer for active duty in the armed forces. This bill, if enacted, would include USPHS officers and others as exempt from state income tax.

This exemption does not have a sunset with a delayed repeal. Tax & Rev supports sunset dates for policymakers to review the impact of a deduction or other tax incentive before extending it if a sufficient timeframe is allotted for tax incentives to be measured.

**Technical Issues:**

None.

**Other Issues:**

Because Tax & Rev does not receive upfront federal data identifying all categories of uniformed services salary, real time verification of exemption eligibility is not possible. The exemption would therefore rely primarily on self-reported information supported by federal W-2s, with eligibility confirmed only through post filing audit or documentation requests. Overall, the exemption is administrable, but it is important to note that verification cannot be automated or performed at the time of filing.

**Administrative & Compliance Impact:**

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<https://www.ziprecruiter.com/Salaries/Guards-Salary--in-New-Mexico>; <https://www.ziprecruiter.com/Salaries/Air-Force-Reserves-Salary--in-New-Mexico>.

Tax & Rev will update forms, instructions and publications and make information system changes. Staff training to administer the credit will take place. This implementation will be included in the annual tax year changes.

For Tax & Rev’s Information Technology Division (ITD), implementing this bill will have a low impact on ITD, requiring approximately 220 hours or about 1 ½ months and \$15,226 of staff workload costs.

**Estimated Additional Operating Budget Impact\***

<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>3 Year Total Cost</b>	<b>Recurring or Non-Recurring</b>	<b>Fund(s) or Agency Affected</b>
--	\$15.2	--	\$15.2	NR	ITD – Staff workload

\* In thousands of dollars. Parentheses ( ) indicate a cost saving. \*\* Recurring (R) or Non-Recurring (NR).

**Related Bills:**

Relates to SB-116 (2026 session)