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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: 2/1/26 *Check all that apply:*
Bill Number: SB 133 Original Correction
 Amendment Substitute

Sponsor:	<u>Steinborn/Hickey/Wilson/ Hamblen</u>	Agency Name and Code Number:	<u>Municipal League (ML)</u>
Short Title:	<u>Health Equipment GRT Deduction</u>	Person Writing	<u>Jacob Rowberry</u>
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

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
Total						

(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 133 creates a new gross receipts tax deduction for the sale of certain in-office medical equipment and medications to health care practitioners. The bill includes a hold harmless mechanism to reimburse municipalities and counties for local gross receipts tax revenue lost as a result of the deduction. SB 133 takes effect on July 1, 2026.

FISCAL IMPLICATIONS

Senate Bill 133 contains a hold harmless provision intended to fully offset municipal revenue losses resulting from the proposed GRT deduction. The distribution to municipalities is calculated based on the total deductions claimed from entities within the municipality, multiplied by the combined rate of all municipal local option gross receipts taxes in effect, plus the municipal distribution of the state GRT rate (1.225%). Accordingly, the net fiscal impact on municipalities is expected to be revenue neutral.

However, should future legislation, as preceded by past legislative action on hold harmless distributions to municipalities, reduce or eliminate any portion of the municipal hold harmless distribution, municipalities could experience significant negative fiscal impacts.

SIGNIFICANT ISSUES

The revenue neutral fiscal impact of Senate Bill 133 for municipalities is contingent on the bill's hold harmless provisions existing in perpetuity. However, there is recent evidence that hold harmless distributions to municipalities to offset lost revenues due to GRT deductions don't always remain in place. For example, a 2004 GRT deduction for food and selected medical services was originally accompanied by hold harmless distributions to municipalities that were subsequently put into a phase-out for some municipalities through legislation in 2013. This example illustrates the potential long-term fiscal exposure associated with GRT deductions that rely on hold harmless mechanisms to replace lost municipal revenues.

GRT revenue is critical for 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. Municipalities have limited options to raise other revenue, and municipal revenue losses can lead to a need to raise taxes to maintain revenue, disproportionately harming lower-income New Mexicans.

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