

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

February 16, 2026

Bill:

SFC Sub. for STBTC Sub. for SB-151, as amended on the Senate Floor

Sponsor:

Senators Peter Wirth, Heather Berghmans, and Natalie Figueroa and Representative Cristina Parajón

Short Title:

Corporate Income Tax Changes

Description:

The *Senate Finance Committee* substitute does the following:

Sections 1 & 2: This bill decouples from certain corporate income tax (CIT) provisions of federal H.R. 1 (One Big Beautiful Bill Act or OBBBA), which was enacted in July 2025. This bill decouples from the federal act by amending the definition of “base income” for New Mexico CIT purposes. The bill removes Internal Revenue Code (IRC) § 951A income from controlled foreign corporations (CFC) exemption from New Mexico’s tax base by conforming to the federal tax code’s inclusion of income from controlled foreign corporations – having the effect of adding this income back into New Mexico’s taxable income base.

The bill also decouples from IRC §§ 168(k), 168(n), and 163(j)(2). Sections 168(k) and 168(n) of the IRC contain new federal bonus depreciation and interest expense deductions. The bill decouples from these sections by adding back to New Mexico base income the amount of the deductions exceeding the deduction amounts allowed by IRC §§ 168(a) through (j). The bill also decouples from IRC § 163(j)(2), the business interest expense limitations, by adding back the additional interest deduction taken for federal tax purposes.

The bill includes specific provisions governing the apportionment of CFC income. It clarifies that, for income apportionment purposes, CFC income that is included in New Mexico income is reflected in the numerator and denominator of the taxpayer’s apportionment factor.

Sections 3 & 4: This bill creates the local journalist employment personal income tax (PIT) and CIT credits. Both credits are for taxpayers who, prior to January 1, 2031, are owners of a local news organization that employs a journalist. The tax credit is 30% of the wages paid to no more than 75 journalists employed by the local news organization. “Wages” means not more than \$50,000 paid to a journalist, not including benefits, taxes, or other contributions. A qualifying journalist must reside within 50 miles of the coverage area assigned by a local news organization, and work as a journalist for the local news organization for more than 28 weeks of the taxable year in which the credit is claimed. To qualify as a local news organization, the taxpayer must, among other things, have at least 30% of its content devoted to state and local news, if it is a print publication, and for digital-only entities, 50% of its content must be devoted to state and local news. The news organization cannot be a publicly traded entity, or be majority-owned by a publicly traded entity. Depending on the type of entity, print or digital, it must publish a certain number of state or local news stories every two years.

Tax & Rev certifies eligibility for the credit, but cannot certify more than \$4 million in credits in a calendar year. The credit is refundable to the extent the credit exceeds the taxpayer’s income tax liability in

Section 5: This bill creates a new gross receipts tax (GRT) deduction receipts from the sale of construction materials and labor used to build affordable housing multifamily residential housing projects. To qualify

for the deduction, materials and labor must be sold to a qualifying grantee under the Affordable Housing Act. In addition, at least 80% of the units in the multifamily housing project must be for individuals with low or moderate income. “Low or moderate income” is defined as a household income that does not exceed in which the annual income is 80% of the median income for a geographic area where the house is located, as defined by the United States Department of Housing and Urban Development (HUD), with income limits adjusted for family size. The deduction has a sunset date of July 1, 2029.

Section 6: This bill creates the Physician Tax Credit in the Income Tax Act. A credit equal to \$10,000 is available to medical physicians or osteopathic physicians licensed in New Mexico who provide health care in New Mexico for at least 1,584 hours during a taxable year. The physician must apply for certification from the Department of Health (DOH). The credit is applied to the physician’s tax liability, and any excess credit can be carried forward for up to three consecutive taxable years.

Section 7: This bill creates gross receipts tax (GRT) deductions for receipts from the sale of in-office equipment or in-office medicine to specified health care practitioners. The equipment and medicine must be used exclusively for patient care. In-office equipment must be used to provide medical treatment in the health practitioner’s office setting, and does not include desks, chairs or computers. In-office medication includes saline or other non-prescription substances provided to a patient in the health care practitioner’s office setting. Deductions associated with Sections 7-9-73.2 and 7-9-73.3 NMSA 1978 are to be taken first.

Section 8 and 9: This bill creates the local news printer income tax (PIT) and corporate income (CIT) tax credits. A “local news printer” is an entity that provides manufacturing production and printing services for at least five years in New Mexico. A taxpayer who is an owner of a local news printer that employs five qualified employees may claim the credit, which is equal to the wages paid to each qualified employee employed by a local news printer in the taxable year. The credit cannot exceed \$10,000 for a qualified employee working an average of 24 hours or more per week in a taxable year, and \$5,000 for a qualified employee working an average of less than 24 per week. A taxpayer shall not be eligible to receive a tax credit for more than 100 qualified employees. The taxpayer shall apply for certification of eligibility for the tax credit from the Taxation and Revenue Department (Tax & Rev) and Tax & Rev will then issue a certificate of eligibility. The credit is refundable and has a sunset date of January 1, 2031.

The CIT credit is provided also for a taxpayer who is the owner of a local news printer that employs a qualified employee and is also allowed for the same credit amounts and the same requirements. The total annual aggregate amount of PIT and CIT credits that may be certified in a calendar year shall not exceed \$1 million.

The *Senate Floor* amendment adds to the affordable housing multifamily residential gross receipts tax deduction a requirement for the buyer to provide a nontaxable transaction certificate (NTTC) or alternative evidence. The amendment adds lactation care providers and naprapaths licensed pursuant to the Naprapathic Practice Act to the list of health care practitioners who may take the gross receipts tax deduction for in-office equipment and medication .

Effective Date, Applicability, and Contingency Language:

Section 1-4, 6,& 9. Not specified or 90 days following adjournment (May 20, 2026). Sections 5&7-9 July 1, 2026. Applicability – Sections 1 and 2 of this act apply to taxable years beginning on or after January 1, 2027. Sections 3,4,6,8 and 9 of this act apply to taxable years beginning on or after January 1, 2026.

Taxation and Revenue Department Analyst:

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Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	\$40,000	\$80,000	\$70,000	\$60,000	R	Section 1 - IRC §168(k) - General Fund
--	\$5,000	\$10,000	\$10,000	\$10,000	R	Section 1 - IRC §168(n) - General Fund
--	\$5,000	\$10,000	\$10,000	\$10,000	R	Section 1 - IRC §163(j)(8) - General Fund
--	\$5,750 – \$10,750	\$11,500 - \$21,500	\$11,500 - \$21,500	\$11,500 - \$21,500	R	Section 2 – IRC §951A (NCTI) – General Fund
--	(\$2,090)	(\$2,090)	(\$2,090)	(\$2,090)	R	Sections 3 & 4 – General Fund
--	(\$5,100)	(\$5,100)	(\$5,200)	--	NR	Section 5 - General Fund
--	(\$6,900)	(\$7,000)	(\$7,100)	--	NR	Section 5 - Local Governments
--	(\$32,000)	(\$32,000)	(\$32,000)	(\$32,000)	R	Section 6 – General Fund
--	(\$1,200)	(\$1,200)	(\$1,200)	(\$1,300)	R	Section 7 - General Fund
--	(\$1,300)	(\$1,300)	(\$1,400)	(\$1,400)	R	Section 7 - Local Governments
--	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	R	Sections 8 & 9 - General Fund
--	\$14,360-\$19,360	\$70,110-\$80,110	\$60,010-\$70,010	\$55,110-\$65,110	R	Total General Fund
--	(\$8,200)	(\$8,300)	(\$8,500)	(\$1,400)	R	Total Local Governments

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

Methodology for Estimated Revenue Impact:

[Sections 1 & 2] Tax & Rev began with the impact of the Consensus Revenue Estimating Groups (CREG) December 2025 CIT forecast for H.R.1. Included in the CREG’s December 2025 CIT forecast is the decrease in revenue from the impact of H.R.1 from IRC §168(k), §168(n) and also IRC §174, the deduction for domestic research and development (R & D) for an average annual revenue loss of \$130 million. Also included in CREG’s forecast is the loss of revenue from the increased cap for state and local taxes, known as the SALT cap, averaging \$63 million a year. This bill does not impact the R & D deduction under IRC §174, nor the increase in the SALT cap. Tax & Rev estimated the revenue increase from decoupling from IRC §168(k) and §168(n) by proportioning the CREG’s impact of IRC §§168(k), 168(n) and 174 against an analysis by the Tax Foundation which estimates the fiscal impact to New Mexico from IRC §§168(k), 168(n), 174 and 179¹. According to the Tax Foundation’s analysis, 57% of the estimated reduction in New Mexico CIT revenue is from §168(k) and 6% of the estimated drop is from §168(n). Tax & Rev applied those percentages to the CREG’s H.R. 1 impact by fiscal year to arrive at the respective impacts detailed in the revenue impact table. For decoupling from §163(j)(8), Tax & Rev assumed the same impact as §168(n).

¹ <https://taxfoundation.org/research/all/state/big-beautiful-bill-state-tax-impact/>

The fiscal impact for FY2027 captures a half year of taxpayers adjusting estimated payments for the first two quarters of tax year 2027.

To estimate the fiscal impact of including Net Controlled Foreign Corporations Tested Income (NCTI)² in Internal Revenue Code (IRC) §§ 951A and the §250 deductions into New Mexico's base income, the Tax & Rev extracted data for tax years 2020 through 2023 based taxpayer records on Global Intangible Low-Taxed Income (GILTI), which was renamed NCTI, the Internal Revenue Service's name for this category of foreign income. Tax & Rev averaged the lowest two tax years of NCTI income apportioned to New Mexico and multiplied those amounts by the corporate income tax rate of 5.9% to produce a lower-bound estimate. For the upper bound, Tax & Rev averaged the two highest annual values over the same period and multiplied the value times the corporate tax rate of 5.9%.

[Sections 3 & 4] The local journalist employment income and corporate income tax credit.

The U. S. Bureau of Labor Statistics (BLS) provides the count and average wages of over 800 occupations. Workers who are classified as news analysts, reporters, and journalists (referred to as journalists in this analysis) under the BLS definition are assumed to qualify for this credit. In 2024, the most recent year available, there were 160 journalists in New Mexico excluding self-employed.³ Tax & Rev assumes that the 160 journalists who worked in New Mexico in 2024 continue to be employed by a qualified local news organization.

Nationally, 45% of journalists work full-time and 55% work part-time.⁴ Tax & Rev applied these percentages to the count of journalists in New Mexico, resulting in 88 full-time journalists and 72 part-time journalists. Tax & Rev assumes no taxpayer employs more than 75 journalists.

Tax & Rev then calculated the total wages paid to journalists using the annual 2024 median wage for full-time journalists, at approximately \$50,000, and the hourly median wage of \$24.64 at 20 hours per week for part-time journalists. Median wage was used to avoid skewing by outliers – a small percentage of journalists have a high income that significantly increases the mean average. Also, the New Mexico Local News Fund instituted a program that places new graduates into newsrooms. These graduates would have a lower income. See 'Policy Issues' below. Tax & Rev then applied the income tax credit of 30% to the wages paid to journalists.

Using the University of New Mexico's Bureau of Business and Economic Research (BBER) January 2026 forecast, Tax & Rev indexed the data to tax year 2024 and then grew the estimate annually by BBER's New Mexico's wage and salary growth. The number of journalists eligible is assumed to be constant.

[Section 5] Gross receipts deduction for the development of affordable housing multifamily residential housing.

Tax & Rev used the BBER January 2026 forecast on total multifamily housing units authorized in New Mexico and the statewide median price of sold units through December 2025.⁵ Then, Tax & Rev assumed that labor and construction materials costs for residential construction are approximately 60% of the total

² Formally referred to as Global Intangible Low-Tax Income or GILTI

³ Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment and Wage Statistics, SOC 273023, accessed January 24, 2026.

⁴ Journalist demographics in the United States; www.careerexplorer.com

⁵ <https://www.zillow.com/home-values/41/nm/>

construction costs to compute the fiscal impact.⁶ The analysis assumes that 80% of the total multifamily housing developments forecasted by BBER are allocated to affordable housing. The fiscal impact employs a statewide effective GRT rate and includes the effects of this deduction on the 1.225% distributions to municipalities, as the majority of construction is assumed to be in municipalities.

Tax & Rev cannot predict whether the proposed deductions will be enough to stimulate the construction of new housing projects and place the State above its current trend, so the analyses assume the forecasted trajectory under BBER's current housing construction forecast. The e deduction sunsets on July 1, 2029 and therefore, there is no impact for FY30.

[Section 6] The physician tax credit.

Tax & Rev used the U.S. Bureau of Labor Statistics' (BLS) Occupational Employment and Wage Statistics (OEWS) to estimate the number of physicians working in New Mexico and the average income associated with eligible physician specialties. Tax & Rev assumes the following occupations are eligible: anesthesiologists, cardiologists, emergency medicine physicians, family medicine physicians, general internal medicine physicians, neurologists, obstetricians and gynecologists, pediatricians, psychiatrists, physicians (all other), and surgeons (all other). OEWS does not differentiate between physicians who work full or part time. As the nation is experiencing a decline in private practice physicians,⁷ Tax & Rev assumes the effect on the fiscal impact is negligible and maintains a flat number of eligible physicians.

From the most recent release of the OEWS (May 2024), Tax & Rev calculated that there are potentially 3,860 eligible physicians. Tax & Rev then estimated the number of each physician occupation by location, rural or non-rural as this bill will allow an eligible taxpayer to claim both the proposed physician tax credit and the rural health care practitioner credit against PIT, Section 7-2-18.22 NMSA 1978. Tax & Rev then used the information provided by the 2025 New Mexico Health Care Workforce Committee (HCWC) annual report to estimate the percentage of these providers practicing in rural areas, at 23%.

This bill requires the physician to provide care at least 1,584 hours annually, or approximately 30 hours per week or 198 8-hour days annually. According to the most recent Survey of America's Physicians, 9.9% of doctors work less than 30 hours per week.⁸ Tax & Rev applied this percentage to non-rural physicians.

To estimate the number of full-time rural physicians, Tax & Rev used a sample of taxpayers that have claimed the rural health care practitioner credit against PIT (Section 7-2-18.22 NMSA 1978) between 2016 and 2020. Tax & Rev calculated that the ratio of practitioners claiming this credit between full-time and part-time credits to be 60:40. Tax & Rev applied this percentage to the estimate of rural physicians. This results in approximately 3,200 eligible physicians across the entire state, with an estimated 530 considered a rural physician.

The average annual income of these physician occupations ranges from \$248,350 to \$400,000 with an average tax liability of \$12,500 under married filing joint. All but one sub-specialty occupation had a tax liability over the \$10,000 non-refundable credit. Thus, almost all eligible physicians would have sufficient liability in one tax year to claim the entire credit and not have any carried forward, absent other credits claimed. When factoring in the rural health care practitioner credit for rural physicians, at BLS's reported average income, these eligible physicians can claim both this proposed credit and the rural health care

⁶<https://www.nmhc.org/globalassets/research--insight/research-reports/cost-of-regulations/2022-nahb-nmhc-cost-of-regulations-report.pdf>

⁷ <https://www.ama-assn.org/practice-management/private-practices/private-practice-collapsing-congress-can-help-stem-tide>

⁸ The Physicians Foundation, 2018 Survey of America's Physicians: Practice Patterns & Perspectives, www.physiciansfoundation.org

practitioner credit with an average annual carry over of \$2,500. Because of this interaction, the claims and aggregate fiscal impact of the rural health care practitioner credit may decline.

Tax & Rev cannot determine how many taxpayers this tax credit may incentivize to claim this credit but recognizes that a \$10,000 nonrefundable tax credit may not be sufficient to result in an increase in the number of physicians in New Mexico. Thus, Tax & Rev assumes the number of eligible physicians is constant for the fiscal impact.

[Section 7] Gross receipts deduction for in-office equipment and medication.

The bill provides a GRT deduction for receipts for sales to healthcare practitioners for medical equipment, and non-prescription drug purchases that must be used during the course of treatment by the medical professional at the medical professional's clinical setting. Tax & Rev used data from the RP80 GRT report and retrieved taxable GRT by NAICS codes to identify the taxpayers that might claim the deduction for selling medical equipment and drugs to health care practitioners. Tax & Rev interprets that this deduction does not apply to the sale of medical equipment and non-prescription drugs to a hospital, hospice, nursing home, and out-patient or intermediate care facilities. Because these entities are not eligible for the credit, their receipts were excluded from the associated tax base. The fiscal impact was calculated using the CREG December 2025 GRT forecast and the 6.94% statewide effective GRT rate, with a split between the General Fund and local governments. The revenue impact includes the effects of this deduction on additional distributions made to municipalities under Section 7-1-6.4 NMSA 1978, as the majority of the taxable base will be in municipalities.

[Sections 8 & 9] Local news printer income tax credit

This bill provides a tax credit of up to \$10,000 per qualified employee for an owner of a local news printer with qualified employees. Tax & Rev estimated the number of qualified employees of local news printers in New Mexico using the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW).

Tax & Rev assumes that newspaper publishers and periodical publishers would qualify for this credit. By averaging the number of jobs in 2022 to 2024, Tax & Rev estimates that there are 739 employees employed by 120 local news printers resulting in an average of 6.2 employees per qualifying taxpayer. This bill requires that the local news printer must employ at least five qualified employees. In the United States, 35% of businesses have 5 or more employees.⁹ Tax & Rev then calculated the number of news printer businesses with five or more employees and multiplied this by 6.2 employees per business leaving and estimated 259 employees and approximately 41 eligible businesses.

If all employees qualified for the \$5,000 tax credit, the estimated revenue impact is expected to be \$1.3 million which exceeds the aggregate cap of \$1 million.

Policy Issues:

[Sections 1-9] 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

⁹ U. S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), 2019-2024 average

code. This is referred to as “conformity” to the federal tax code. 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. The credits proposed in this bill erode horizontal equity by basing the credit on a profession, thus taxpayers in similar economic circumstances are no longer treated equally.

CIT is a volatile source of revenue for many states. Providing additional corporate tax incentives increases volatility. Similar to PIT, a corporate tax credit can erode horizontal equity by basing this credit on a profession, thus corporate taxpayers in similar industries are no longer treated equally. With the passage of this bill, for FY27 based on the CREG’s December 2025 forecast, New Mexico would see a decline of 2% in personal income tax revenue and an overall decline from the loss of PIT revenue in recurring General Fund revenue of 0.3%.¹⁰ On the CIT side, the proposal increases CIT by 16% in FY27 and 24% in FY28, increasing recurring General Fund revenue overall by 0.4% and 0.8% in FY27 and FY28 respectively.

While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of such incentives complicate the tax code. Introducing more tax incentives has two main consequences: (1) it creates special treatment and exceptions within the code, leading to increased tax expenditures and a narrower tax base, which negatively impacts the General Fund; and (2) it imposes a heavier compliance burden on both taxpayers and Tax & Rev. This proposal adds several deductions and credits that increase complexity for taxpayers and the administration of the tax code for both PIT and GRT. Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy.

[Sections 1 & 2] For states that conform to the federal tax code, the scale of the impacts from H.R.1 varies based on whether the state’s starting point for corporate income tax purposes is federal adjusted gross income or federal taxable income. New Mexico’s starting point for corporate income tax is federal taxable income. The changes made by H.R. 1 impact federal taxable income, and therefore, New Mexico’s corporate income tax starting point. While the federal government enacted these changes to the tax base based on other changes and for other purposes, often for states the impact is a severe reduction in the state’s taxable base. Thus, New Mexico would join other states like California, Illinois, and Michigan in decoupling from IRC § 168(n) and 168(k), as the revenue impact at the state level is too great to sustain.

Like many states, this bill does not propose decoupling from the IRC §174 R& D deduction, as this first-year expensing of R&D expenditures has been a staple of the federal tax code since 1954. The Tax Cuts & Jobs Act (TCJA) shifted the traditional one-year expensing to a 5-year expensing amortization. H.R.1 returns the provision to the historical standard. For R&D expenses and development, 100% expensing in the first year is crucial to sustain current and long-term investments and growth planning. The overall impact of this proposal to broaden New Mexico’s corporate income tax base reducing reliance on narrower, more cyclical components of the base and may improve the stability of year-to-year collections.

New Mexico’s CIT structure is built on a conformity framework in which federal taxable income functions as the primary starting point of state CIT base income and state policy choices are implemented through a limited set of additions, subtractions, and apportionment rules. Federal conformity eases many state administrative aspects of income tax programs and, for taxpayers, enables more seamless completion of federal and state income tax returns, leading to improved compliance. While New Mexico may choose to decouple from the federal tax base by bringing some federal tax expenditures back into the New Mexico’s base income, it may increase complexity in compliance for taxpayers and administration the state administration.

¹⁰ As a percent of the FY27 December 2025 CREG forecast

[Sections 3 & 4] The requirements to qualify for this credit may be administratively burdensome to both the taxpayer and Tax & Rev. The journalist must reside within a 50-mile radius of the coverage area and must work for a local news organization for more than 28 weeks of the taxable year. For a local news organization that engages in print publication, the organization must publish at least one print publication per month over the previous 24 months. For a local news organization that engages in digital-only publication, the organization must publish at least four originally produced stories per week over the previous 24 months, and at least 50% of its audience must be in New Mexico. The organization cannot receive more than 10% of its gross receipts from a political action committee and is not publicly traded or no more than 49% owned by a publicly traded entity or subsidiary. These requirements for certification may impede the number of credits successfully claimed. They will also absorb administrative resources and taxpayer resources to verify eligibility for the credit.

In 2023, the New Mexico Local News Fund partnered with the New Mexico Department of Workforce Solutions and received \$125,000 in state funding to support fellowships and internships in local news. In 2024, a two-year \$200,000 appropriation was approved to support this program.¹¹ This, combined with the 30% reduction of wages paid by a local news organization, may incentivize employers to hire more journalists. It is possible, however, that the \$50,000 cap on wages paid to a journalist may affect the number of new hires.

This credit does have a sunset date, but not a delayed repeal. Tax & Rev supports sunset dates for policymakers to review the impact of a credit or other tax incentive before extending it if a sufficient timeframe is allotted for tax incentives to be measured. Tax & Rev supports delayed repeals as they maintain accuracy and brevity in the tax code by removing statutory language once it expires.

[Section 5] Residential housing in New Mexico faces several significant challenges when it comes to cost. These challenges are interconnected and impact affordability, accessibility, and the overall stability of the housing market. One of the main drivers of high home prices is the lack of available housing supply. There are not enough homes being built to meet the demand. This is due to a combination of factors, including restrictive zoning laws, a shortage of skilled labor in the construction industry, and rising costs of labor and materials. When supply does not keep up with demand, prices inevitably rise.

The cost of homes is closely tied to increasing rents. Median rents in New Mexico increased by 60% from 2017 to 2024, compared to the national rate of 27%. The average price of a New Mexico home rose even faster during that time, increasing by 70%. High prices have forced individuals to live in substandard conditions or face high rental rates that drain their resources. The limited rental supply has made it even more difficult for low-income and middle-class families to find affordable housing. From 2017 to 2024, homelessness in New Mexico increased by 87%, more than double the nation's 40% rise. Thus, the proposed deduction may help increase the number of units and revert the troubling trend of the housing system across New Mexico.

Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy. As noted under technical issues, these deductions will present several more options to taxpayers in the residential housing market. Without clear language in the statute, as to the order deductions that must be taken, taxpayers will determine the most advantageous deductions to apply. The complexity of deductions for residential construction will require additional outreach and education for taxpayers and more complex auditing of compliance.

¹¹ <https://www.nmlegis.gov>

[Section 6] Like the nation, New Mexico is experiencing a shortage of medical professionals. The 2025 New Mexico Health Care Workforce Committee Report details the number of providers in select occupations needed to bring New Mexico up to the benchmark provider-to-population ratio. To bring all counties to benchmarks would require an additional 334 primary care physicians, 59 OB-GYNs, and 10 general surgeons. In light of the nationwide shortage, physicians may consider tax benefits and other factors offered by competing states when making practice location decisions.

The proposed bill erodes horizontal equity in state income taxes. By basing the credit on a profession, taxpayers in similar economic circumstances are no longer treated equally. Thus, a health care worker in a similar position, such as a physician assistant or dentist, is not eligible. There is a broader public good of subsidizing medical professionals to stay or come to New Mexico for providing reliable healthcare to New Mexicans.

This tax credit does not include a sunset date. Tax & Rev supports sunset dates for policymakers to review the impact of tax expenditures to evaluate the credit.

[Section 7] The U.S. health system has been facing significant challenges related to persistent workforce shortages and severe fractures in the supply chain for drugs and equipment, increasing health service costs for patients. New Mexico is not immune from these challenges. The State has implemented a series of social and tax policies to improve healthcare coverage and attract healthcare workers while reducing healthcare practitioners' financial constraints. Theoretically, the proposed GRT deductions will lower effective tax rates and might actively minimize the tax burden for healthcare practitioners through tailored tax incentives, thereby helping recruit and retain healthcare workers and making health care service for New Mexicans more affordable.

[Sections 8 & 9] This credit may be administratively burdensome to the taxpayer and the department due to the numerous qualifications that need to be met for credit eligibility. A local news organization must engage in print publication, and must publish at least one print publication per month over the previous 36 months. For a local news organization that engages in digital-only publication, the organization must publish at least five originally produced stories per week over the previous 36 months, and at least 30% of its content must be dedicated to state or local news. The local news printer must have been in business for at least five years and employs at least five qualified employees.

This credit does have a sunset date of January 1, 2031. 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. Tax & Rev supports delayed repeals as they maintain clarity and brevity in the tax code by removing statute language that expires.

Technical Issues:

[Sections 3 & 4] On page 17, lines 6-8 and on page 22, lines 10-12, the credit calculation is based on wages paid to a journalist. However, on Page 20, lines 3-5 and on Page 24, lines 19-21, a "local news organization" must "[pay]at least one individual, either through employment or by contract..." If the intent of the bill is to provide a credit based on W-2 wage earning employees, and not 1099 contractors, Tax & Rev suggests clarifying whether payments to 1099 contractors are included in the credit calculation.

On Page 21, lines 16-17 and on Page 26, lines 7-8 – the bill requires that wages are paid through "the organization's payroll system." Again, it is not clear if the credit is intended to include contractors who may not be paid through the payroll system. Also, many taxpayers use 3rd party entities to provide payroll services. Tax & Rev recommends removing in Section 3(J)(2)(b), line 3 " , either" and on line 4 "or by contract" Similarly, in Section 4(H)(2)(b), remove on line 19 " , either" and on line 20 "or by contract". In

addition, Tax & Rev suggests clarifying if 3rd party payroll service providers will be considered the “organizations payroll system.”

[Section 5] Page 26, Line 22. “Construction material” is not defined. See Section 7-9-51 NMSA 1978 for a suggested definition.

Page 27, lines 21-25 and Page 28, line 1. Low or moderate income is determined using HUD reported data for the geographic area in which the household is located as adjusted for family size. For FY25, a family of four’s low-income threshold is \$79,600 in Santa Fe. However, in Farmington, NM that same family of four has a low-income threshold of \$60,500. Adjusting for family size and geographic area will make the deduction difficult for taxpayers to determine if the construction goods are subject to the deduction, and difficult for the department to administer. To ensure projects qualify, Tax & Rev suggests that affordable housing projects be certified by the New Mexico Housing Authority and that certificate serve as the required documentation of eligibility (perhaps eliminating the need for an NTTC).

[Section 6] Under section B, page 29, the DOH will issue a certificate of eligibility to the qualifying physician but the statute does not require that the certification identify the taxable years in which the credit can be claimed, as is required in other tax credit programs. Tax & Rev suggests on line 1, after “physician” to remove the period and add “and the taxable years in which the credit may be claimed.”

[Sections 8 & 9] If the intent of the bill is to only apply to W-2 wage earning employees and not 1099 contractors, it may be prudent to clarify that in the bill. In Sections 8(J)(1)(b), on page 37, lines 5-7 and 9(H)(1)(b), on page 42, lines 11-13, the bill uses “employ” and “wages” but defines a local news organization as a news organization that “pays at least one individual, either through employment or by contract...” Also, section 8(J)(4), on page 39, and section 9(H)(4), on pages 44-45, state that wages are paid through “the organization's payroll system.” It is not clear if the credit will include contractors who may not be paid through the payroll system. Tax & Rev recommends removing “, either” in Section 8(J)(1)(b), on page 37, line 5 and removing “or by contract” on line 6. Similarly, in Section 9(H)(1)(b), on page 9, line 11 removing “, either” and on line 12 “or by contract”.

Other Issues:

[Section 5] There are currently two deductions for construction businesses under Section 7-9-51 and 7-9-52 NMSA 1978. Tax & Rev suggests amending these deductions rather than creating new deductions. This would allow this industry to use the same NTTC type.

In Subsection C, on page 27, lines 5-7, the bill uses deduction-claiming language that is inconsistent with other deduction statutes. Tax & Rev suggests using standard language as used on page 30, Section 7(C), lines 20-22. Tax & Rev also suggests adding “separately in a manner” after the word “deduction” on line 5 and on line 7, striking “department in a manner,” After these changes the bill would state: “section shall report the amount of the deduction separately in a manner required by the department.”

[Section 6] Some rural physicians may have incomes that do not allow for full uptake of both this proposed \$10,000 credit and the rural health care practitioner credit which has a maximum credit amount of \$5,000. This may result in a carry forward of the credit. The sponsors may want to consider making this credit refundable, as certain physicians earning more would benefit from the credit, whereas physicians who earn less will not receive as much benefit. In addition, approximately 71% of physicians graduated from medical school with education debt in 2024 according to the Association of American medical colleges. In 2024, the average debt was over \$210,000. This tax credit, if refundable, could help alleviate the debt burden of physicians.

This issue already exists under the rural health care practitioner tax credit, where many eligible practitioners do not have sufficient tax liability to claim the full credit amount, however the rural health care practitioner tax credit includes non-physician occupations that are associated with a lower income and that credit applies to parttime work.

[Section 7] Page 33, Lines 18 and 21. The use of the word “primarily” is subject to interpretation. Tax & Rev suggests deleting “primarily” on both lines.

[Section 7] Page 33, line 25. It is unclear what non-prescription substances are dispensed to patients. Non-prescription substances could include over-the-counter medicines, vitamins, and topical gels. As currently written, “saline” does not provide the direction needed to interpret in-office medications. Tax & Rev suggests specifically identifying the non-prescription substances included for the deduction.

[Sections 8 & 9] The bill outlines that only one credit shall be certified for each qualified employee, but it is unclear how it would be decided which local news printer would be able to claim a qualified employee that was employed with multiple printers over the course of a year. Each qualified employee only needs to work 25% of the year to be claimed. Tax & Rev suggests replacing “at least twenty-five percent of the taxable year in which the credit is claimed” to “employed more than 28 weeks of the calendar year” in Sections 8(J)(3)(c) on page 39, lines 11-13 and 9(H)(3)(c), on page 44, lines 17-19.

The bill places Tax & Rev in the position of determining whether an entity meets the definition of a “local news organization” or “local news printer,” which includes criteria related to editorial content, publication frequency, audience composition, and ownership structure. These determinations are not traditionally within Tax & Rev expertise and may raise policy concerns about the appropriate role of a tax agency in evaluating journalistic or media-industry qualifications when it is also the agency administering the credit.

Section 8(J)(1) and Section 9(H)(1) define “local news organization” using criteria that requires Tax & Rev to verify:

- whether the entity publishes state or local news
- whether it has produced 5 original stories per week for 36 months
- whether 30% of print content is local news
- whether 50% of digital audience is in New Mexico
- whether the entity’s mission statement in IRS filings includes news coverage
- whether the entity’s ownership disclosures are accurate
- whether the entity receives less than 10% of receipts from PACs or 501(c)(4)/(c)(6) entities

These are editorial, journalistic, and media-industry determinations, not tax determinations.

Administrative & Compliance Impact:

All sections of the bill will require Tax & Rev to make information system changes, conduct staff training, and update numerous forms, instructions and publications. PIT and CIT changes will be implemented with annual tax year changes. The following identifies the impact to specific Tax & Rev divisions.

The Information Technology Division (ITD) estimates approximately 2,820 hours or about 18 months for total implementation of all sections and a total cost of \$211,251. This consists of \$188,251 in staff workload costs and \$23,000 in contractual costs.

[Sections 3, 4, 6, 8, & 9] The Administrative Services Division (ASD) will test credit sourcing, create new revenue reports, and perform other system testing. It is anticipated this work will take approximately 200 hours, split between two FTE of a pay band eight and a pay band 10 at a cost of approximately \$13,500. Pay-band level eight hours are estimated at time and ½ due to extra hours worked.

The Audit and Compliance Division (ACD) will train the audit staff for the changes occurring to the CIT base income and the new proposed GRT deductions. ACD will support the development of new NTTCs for the affordable housing construction deduction and health care practitioner GRT deductions.

[Sections 3,4,8,9]: Depending on the number of entities that request certification for the new proposed local journalist employment income credits, and local news printer income tax credit, ACD will need two FTE at a pay band seven to properly review each certification request.

The Revenue Processing Division (RPD) will support the implementation of all sections of the bill including testing of new GRT deductions and PIT and CIT credit implementation for tax year 2026 with current staffing. The credits under Section 6 require certification data exchange with DOH.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
\$15.2	\$127.3	\$45.6	\$188.2	NR	All Sections: ITD – Staff Workload Costs
\$23.0	--	--	\$23	NR	All Section: ITD – Contractual Services
--	\$13.5	--	13.5	NR	All Sections: ASD – Staff Workload Costs
--	\$194	\$194	\$388	R	ACD – FTE

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

Related Bills:

- [Sections 3 & 4]** Relates to SB-120 (2026 regular session)
- [Section 5]** Relates to SB-92 (2026 regular session)
- [Section 6]** Relates to SB-12 (2026 regular session)
- [Section 7]** Relates to SB-133 (2026 regular session)
- [Sections 8 & 9]** Relates to SB-150 (2026 regular session)