

LFC Requester:	Faubion
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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 182 Original Correction
 Amendment Substitute

Sponsor: Sanchez/Brantley/Woods **Agency Name and Code:** Municipal League (ML)
Short Title: Dyed Diesel GRT Deduction **Number:** _____
Title: _____ **Person Writing:** Jacob Rowberry
Phone: 505-992-3538 **Email:** jrowberry@nmml.org

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 182 replaces an existing gross receipts tax (GRT) credit for dyed diesel used for agricultural purposes with a new GRT deduction for dyed diesel fuel. The bill allows receipts from the sale of federally dyed diesel to be deducted from GRT through FY31, and repeals the credit enacted in 2024. SB 182 takes effect on July 1, 2026.

FISCAL IMPLICATIONS

From a similar bill during the 2024 session (SB 118), the LFC FIR notes the difficulty in determining the fiscal impact due to future diesel prices and diesel sales volumes. While SB118 (2024) was limited to a dyed diesel GRT deduction for agricultural use, the LFC and TRD analysis included estimates of a GRT deduction for all dyed diesel, before then applying an agricultural use percentage. The estimated fiscal impact—using LFC and TRD’s analysis from SB118 (2024) for a GRT deduction for all dyed diesel (including industries such as construction and forestry, in addition to agriculture)—to local governments was an annual revenue loss of \$50.3 million in FY27 and \$53 million in FY28.

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES

The GRT deduction in SB182 will substantially reduce local government GRT revenues. The loss of GRT revenue would undermine 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.

SB182 does not include a cap on the amount of GRT that may be deducted, creating additional uncertainty and fiscal risk for municipalities. This structure limits municipalities’ ability to manage or mitigate revenue losses and increases uncertainty in long-term financial planning.

While SB182 includes a sunset date of July 1, 2031, for the deduction, sunsets are often removed or extended, risking permanent, recurring revenue loss for cities.

Municipalities have limited options to raise other revenue, and creating more deductions in the tax code can lead to a need to raise taxes to maintain revenue, disproportionately harming lower-income New Mexicans.

Erosion of both local and state revenue is especially concerning at this time, given current reductions and uncertainty in federal funding.

Additionally, the proposed deductions could negatively impact municipal debt service coverage ratios, in turn impacting municipal bond ratings. Bond ratings could be affected by both a reduction in revenue, as well as the negative impact the revenue reduction would have on city budgets.

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