

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

February 16, 2026

Bill:
SB-260

Sponsor:
Senators George K. Muñoz and Benny Shendo, Jr.

Short Title:
Workforce Education Tax Credit

Description:
This bill creates a new workforce education corporate income tax (CIT) credit. The credit is available to a taxpayer that makes a monetary donation to a post-secondary educational institution or school district to fund a workforce education program that provides vocational training, career and technical education, and job training. The credit is 75% of the amount donated up to \$750,000 per taxpayer. The aggregate cap for a taxable year is \$5 million. The Economic Development Department (EDD) certifies eligibility. The credit may be sold, exchanged, or transferred. The credit is available for tax years 2026 through 2028

Effective Date, Applicability, and Contingency Language:
Not specified or 90 days following adjournment (May 20, 2026).

Taxation and Revenue Department Analyst:
Sara Grubbs

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	(Up to \$5,000)	(Up to \$5,000)	(Up to \$5,000)	--	NR	General Fund

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

Methodology for Estimated Revenue Impact:

This bill allows a taxpayer to receive a CIT credit of up to \$750,000 if the taxpayer donates to an eligible workforce education program at a public post-secondary educational institution or school district. The proposed tax credit is 75% of the donation. This translates into a maximum donation of \$1 million per taxpayer. The table below shows the maximum number of taxpayers that could claim this credit under various equal credit amounts.

Individual Credit Amount	Max Number of Taxpayers at Aggregate Cap
\$750,000	6
\$500,000	10
\$250,000	20
\$100,000	50
\$10,000	500
\$1,000	5,000

An eligible taxpayer could claim multiple credits each year. This credit is transferable, which adds to its value. Available data and reporting mechanisms do not allow for a straightforward determination how many

individual corporate taxpayers will claim this credit. Given the possible scenarios presented above and that the credit is transferable, Tax & Rev assumes that the credit cap of \$5 million may be reached.

Policy Issues:

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. 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.

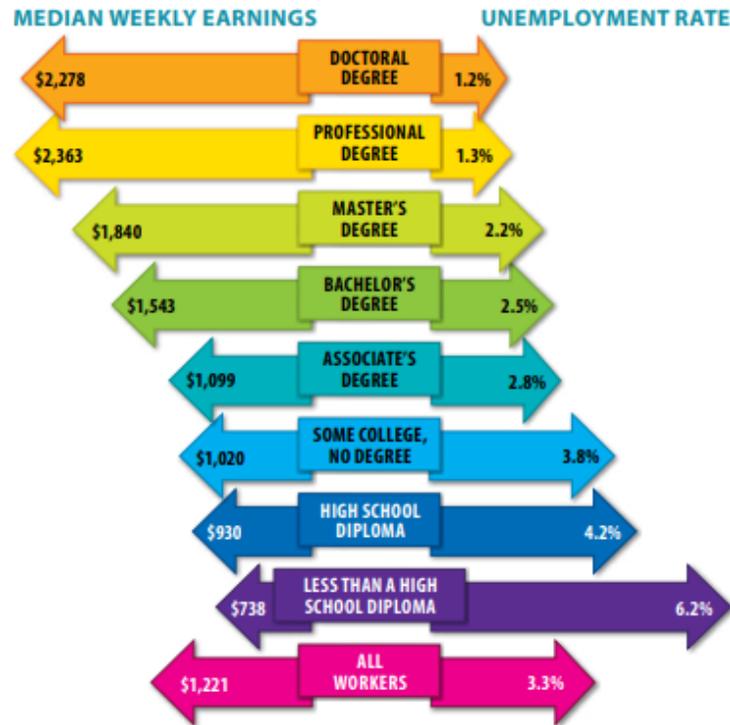
CIT has the potential to further both horizontal equity by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers' ability to pay. This bill erodes horizontal equity by basing this credit on a donation to a specific program, thus corporate taxpayers that donate are no longer treated equally.

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, negatively impacting the General Fund; and (2) it imposes a heavier compliance burden on both taxpayers and Tax & Rev. This proposal adds a credit that increases complexity for taxpayers and the administration of the tax code for CIT and is generally not in line with sound tax policy.

CIT is also a volatile source of revenue for many states, including New Mexico. Providing additional corporate tax incentives increases this volatility. However, this credit may encourage taxpayers to donate specifically to a workforce education program such as the educational institution or the school district and the associated donation amount are chosen by the taxpayer.

The benefits of workforce education, whether through a college, public school, or through vocational training, can be directly seen in the labor market. For the worker, more education means, on average, a higher income and a lower unemployment rate. See the graphic below.

Unemployment Rates & Weekly Earnings by Education Level



For persons 25 and older. Earnings are for full-time workers.
U.S. data for 2024. Source: U.S. Bureau of Labor Statistics,
Current Population Survey

For the employer, a readily available, skilled workforce can quickly increase productivity and demand for workers with the benefit of creating economic expansion. However, employers offering specialized workforce training in-house can be a double-edged sword. Employers often do not have an incentive to invest in education or training as they generally will not be able to capture the full benefit, since those who receive the education are free to work for any business. By providing additional workforce education opportunities, this bill has the potential to create a more skilled labor workforce. This, in turn, creates an incentive for businesses to expand in or relocate to New Mexico.

Vocational training and technical education are a cost-effective way to become a skilled worker. The New Mexico Department of Workforce Solutions notes that wind turbine service technicians and solar photovoltaic installers or positions in the advanced technology industry are among the fastest growing occupations in New Mexico.¹ Both of these fields require training but not a college degree.

There are also social benefits to providing workforce education. When a new, unskilled worker enters the labor market, earned income is generally low. If workforce education or training is low-cost, this can increase future financial resources. Over time, this can contribute to better health outcomes for both the worker and the worker's family with the ability to better provide for their children, and more informed civic participation.²

Technical Issues:

None.

Other Issues:

¹ https://www.dws.state.nm.us/Portals/0/DM/LMI/Occupational_Outlook_2025.pdf

² <https://www.mcc.gov/resources/doc/education-sector-cost-benefit-analysis-guidance/>

This bill does not specify how many years a credit may be carried forward. Tax & Rev suggests providing a specific time frame for the credit on page 1, line 24, with language of “Any unused credit can be carried forward for # consecutive taxable years.” It is recommended not to exceed five years.

As the credit is capped at \$5 million and applications cannot be considered after the cap is met, Tax & Rev recommends adding the following to end of Section 1, Subsection C, line 14 on page 2. “The economic development department shall post monthly on its website the aggregate amount of tax credits certified pursuant to this section for the calendar year.” This gives taxpayers a simple way to see how much of the annual cap has already been used and helps taxpayers decide the best time to donate or apply. Because the cap is relatively small, if applicants donate the maximum amount, fewer than seven taxpayers could qualify each year.

Administrative & Compliance Impact:

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 annual tax year changes. A memorandum of understanding (MOU) to exchange information with EDD will be required.

For Tax & Rev’s Administrative Services Division (ASD), implementing this bill will require FTE hours split between pay-band eight and 10 positions for a total of 40 hours. Pay band eight hours are estimated at time and ½ due to extra hours worked required for implementation.

This bill will have a moderate impact on Tax & Rev’s Information Technology Division (ITD), requiring approximately 680 hours or about four months for an estimated staff workload cost of \$47,063.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	\$2.7	--	\$2.7	NR	ASD – Staff workload
--	\$47.0	--	\$47.0	NR	ITD – Staff workload

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