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FISCAL IMPACT REPORT

CS/CS/Senate Bill

BILL NUMBER: 151/STBTCS/SFCS/aSFI#1/aHTRC

SHORT TITLE: Corporate Income Tax Changes

SPONSOR: Senate Finance Committee

LAST ORIGINAL Faubion/Gray/Simon/
UPDATE: 2/18/2026 **DATE:** 2/7/2026 **ANALYST:** Torres

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Sections 1 & 2. CIT Decoupling	\$0	\$55,750.0 to \$60,750.0	\$111,500.0 to \$121,500.0	\$111,500.0 to \$121,500.0	\$111,500.0 to \$121,500.0	Recurring	General Fund
Sections 3 & 4. Local Journalist Credit	\$0	\$0	(\$4,000.0)	(\$4,000.0)	(\$4,000.0)	Recurring	General Fund
Section 5. Construction GRT	\$0	\$0	(\$6,400.0)	(\$6,600.0)	(\$6,800.0)	Recurring	General Fund
Section 5. Construction GRT	\$0	\$0	(\$4,200.0)	(\$4,400.0)	(\$4,500.0)	Recurring	Local Governments
Section 6. Physician Credit	\$0	\$0	(\$34,300.0)	(\$34,800.0)	(\$35,300.0)	Recurring	General Fund
Sections 7 & 8. Local News Printer Credit	\$0	\$0	(\$1,000.0)	(\$1,000.0)	(\$1,000.0)	Recurring	General Fund
Section 9. High-Wage Jobs Credit	\$0	(\$5,100.0)	(\$5,400.0)	(\$5,600.0)	(\$5,900.0)	Recurring	General Fund
Section 9. High-Wage Jobs Credit	\$0	(\$3,200.0)	(\$3,400.0)	(\$3,600.0)	(\$3,700.0)	Recurring	Local Governments
Section 9. High-Wage Jobs Credit	\$0	(\$1,700.0)	(\$1,800.0)	(\$1,900.0)	(\$2,000.0)	Recurring	Small Cities and Counties Assistance Funds
TOTAL	\$0.0	\$50,650.0 to \$55,650.0	\$60,400.0 to \$70,400.0	\$59,500.0 to \$69,500.0	\$58,500.0 to \$68,500.0	Recurring	General Fund
TOTAL	\$0.0	(\$4,900.0)	(\$9,400.0)	(\$9,900.0)	(\$10,200.0)	Recurring	Local Governments

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

APPROPRIATION*
(dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
\$0.0	\$62,711.7	Recurring	General Fund
\$0.0	\$13,108.2	Recurring	Federal and Other State Funds

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

State Ethics Commission
Taxation and Revenue Department
NM Counties
Health Care Authority
NM Municipal League

Agency or Agencies That Were Asked for Analysis but did not Respond

Economic Development Department
Department of Health
Housing New Mexico

SUMMARY

Synopsis of SFC Committee Substitute for Senate Bill 151 as Amended

The following narrative reflects the most current version of this bill, as amended by the Senate and the House Taxation and Revenue Committee.

Sections 1 and 2: CIT Decoupling This section decouples New Mexico’s corporate income tax from three components of the 2025 federal budget reconciliation bill, P.L. 119-21, commonly known as House Resolution 1 (H.R.1). New Mexico is a rolling conformity state, meaning that absent legislative action, most provisions of the federal corporate income tax code are automatically incorporated into New Mexico’s tax code. This bill decouples New Mexico from three H.R.1. provisions:

- First-year bonus depreciation,
- First-year expensing for manufacturing facilities, and
- Business interest deductions.

In addition, the section would add certain income from foreign-controlled corporations into the New Mexico tax base. The provisions of Sections 1 and 2 are applicable beginning tax year 2027.

Summaries of each provision are provided in the background section of “Significant Issues.” In general, this section increases state tax, especially for capital-intensive businesses and manufacturing businesses.

Sections 3 and 4: Local Journalist Credit. This section creates a refundable tax credit for local news organizations equal to 30 percent of the company’s annual wages. The total amount that can be claimed each year is capped at \$4 million. The bill defines journalist, local news organizations, and wages. Sections 3 and 4 apply to tax years beginning January 1, 2027, until January 1, 2032.

Section 5: Construction GRT Deduction. This creates a new gross receipts tax (GRT) deduction for receipts from the sale of construction materials and labor used in the development of affordable multifamily residential housing projects. The deduction applies to sales made prior to July 1, 2030, and is limited to materials and labor sold to a qualifying grantee for a project under the Affordable Housing Act for use in multifamily housing projects in which at least 80 percent of the units are affordable to households with incomes at or below 80 percent of area median income, adjusted for family size. The bill defines multifamily residential housing as buildings designed for occupancy by more than three households, including congregate, transitional, or temporary housing for homeless persons, and allows the deduction for projects involving renovation, conversion, or demolition on donated land. The deduction is required to be reported in the tax expenditure budget, and the provisions take effect July 1, 2027.

Section 6: Physician Tax Credit. This creates a \$10 thousand income tax credit for qualified physicians. The credit is not refundable (i.e., it cannot be in excess of tax liability), but it can be carried forward for up to three years if it exceeds tax liability. The Department of Health will determine eligibility and issue a certificate to the taxpayer. The credit can be used with the rural health care practitioner tax credit. Qualified physicians are licensed in New Mexico and provided at least 1,584 hours of healthcare services in New Mexico in the taxable year. Inclusion in the tax expenditure budget is required. The provisions in this section apply beginning January 1, 2027, until January 1, 2032.

Sections 7 and 8: Local News Printer Tax Credit. This section creates a personal income tax credit and a mirrored corporate income tax credit known as the local news printer income tax credit and the local news printer corporate income tax credit. 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 thousand for a qualified employee working an average of 20 hours or more per week in a taxable year, and \$5,000 for a qualified employee working an average of less than 20 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 (TRD), and TRD will then issue a certificate of eligibility.

The CIT credit is also provided 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 credits are refundable and are applicable January 1, 2027, until January 1, 2032.

Section 9. High-Wage Jobs Credit. This section extends the high-wage job tax credit, allowing new jobs created before July 1, 2036, to be eligible for the credit. Under current law, jobs created

after July 1, 2026, would not be eligible. This section applies to taxable years beginning January 1, 2026, until July 1, 2036.

Section 10. State Agencies, Public Schools, and Higher Education Institutions Compensation. This section includes appropriations sufficient to fund a 1 percent salary increase for employees of state agencies, higher education institutions, and public schools.

FISCAL IMPLICATIONS

This bill creates or expands tax expenditures. Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure’s fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

Below is the net general fund impact of all sections of the bill. The appropriations included in SB151 are recurring in nature similar to the revenue decreases and revenue increases in the bill. Therefore, a total net impact table is demonstrated on a recurring basis below:

Net General Fund Impact
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Sections 1 - 9. Tax Changes	\$0.0	\$50,650.0 to \$55,650.0	\$60,400.0 to \$70,400.0	\$59,500.0 to \$69,500.0	\$58,500.0 to \$68,500.0	Recurring	General Fund
Section 10. Appropriation*	\$0	\$62,711.7	\$62,711.7	\$62,711.7	\$62,711.7	Recurring	General Fund
Total (Sections 1 – 9 minus section 10)	\$0.0	(\$12,061.7) to (\$7,061.7)	(\$2,311.7) to \$7,688.3	(\$3,211.7) to \$6,788.3	(\$4,211.7) to \$5,788.3	Recurring	General Fund

*This line assumes the appropriation provided by the bill is included in recurring state agency budgets in FY28 through FY30. Compensation is a recurring general fund expense is typically included in agency operating budgets.

Sections 1 and 2: CIT Decoupling. The Taxation and Revenue Department (TRD) estimates this section is expected to increase recurring general fund revenue by at least \$55.8 million and up to \$60.8 million in FY27 and by at least \$111 million and up to \$121 million in FY28. To estimate the fiscal impacts, the agency first extracted historical taxpayer information on the global intangible low-taxed income (GILTI) tax. The agency used the lowest two years, multiplied by a 5.9 percent tax rate, for the lower bound and the highest two years, multiplied by a 5.9 percent tax rate, for the upper bound.

To estimate the other provisions, the agency used the Consensus Revenue Estimating Group’s (CREG) December 2025 corporate income tax forecast for H.R.1 and apportioned the costs of this section’s provisions based on a Tax Foundation estimated share by component.

Detailed TRD Estimated Revenue Impact of Section 1 & 2 Provisions
(dollars in thousands)

	FY26	FY27	FY28	FY29	FY30
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H.R.1 decoupling provisions

Full expensing for certain business property (168k)	\$0.0	\$40,000.0	\$80,000.0	\$80,000.0	\$80,000.0
Special depreciation allowance for qualified production property (168n)	\$0.0	\$5,000.0	\$10,000.0	\$10,000.0	\$10,000.0
Modification of limitation on business interest (163j)	\$0.0	\$5,000.0	\$10,000.0	\$10,000.0	\$10,000.0
<i>Adding NCTI to state tax base</i>					
Adding apportioned NCTI to tax base	\$0.0	\$5,750.0 to \$10,750	\$11,500 to \$21,500	\$11,500 to \$21,500	\$11,500 to \$21,500
Grand Total	\$0.0	\$55,750.0 to \$60,750.0	\$111,500.0 to \$121,500.0	\$111,500.0 to \$121,500.0	\$111,500.0 to \$121,500.0

Source: TRD estimates

Sections 3 and 4: Local Journalist Credit. TRD analysis assumes there are 160 journalists in New Mexico, of which 45 percent work full-time and have a median annual wage of \$51 thousand. The agency used data from the Occupation Employment and Wage Statistics estimates. Part-time journalists are assumed to make \$24.64 per hour at 20 hours per week. The analysis applied the 30 percent income tax credit to these annual total wages. The impact was scaled to reflect the University of New Mexico’s Bureau of Business and Economic Research’s latest forecast of statewide wage and salary growth.

LFC analysis assumes there are about 400 journalists in New Mexico who meet this section’s definition. The analysis matches all TRD’s other assumptions for a total cost of over the \$4 million cap. This analysis uses employment data from the Quarterly Census of Employment and Wages (QCEW), which reflects total payroll employment for newspaper publishers, periodical publishers, and television broadcasting stations, all of whom may employ people who meet the definition of journalists. Employment across these industries exceeds 1,000 and annual wages exceed \$60 million per year. Only one out of five of these wage earners need to meet the criteria of a journalist under this section to reach the \$4 million aggregate cap. This analysis assumes that is a reasonable assumption, and, subsequently, estimates the cap will be met in each fiscal year.

Section 5: Construction GRT Deduction. The fiscal impact of this section is difficult to estimate with precision due to limited statewide data on the number and scale of affordable multifamily housing developments that would qualify for the deduction. Eligibility is tied to projects undertaken pursuant to the Affordable Housing Act, for which there is no public, comprehensive, centralized dataset capturing total construction costs, taxable gross receipts associated with materials and labor, or the volume of projects likely to pursue qualifying-grantee status. In addition, uncertainty around future construction activity, input costs, financing conditions, and the extent to which the deduction would spur new development versus subsidize projects that would have occurred absent the incentive complicates estimation of both state and local revenue impacts.

LFC’s fiscal impact estimate is based on an estimated number of affordable housing units approved under the Affordable Housing Act (AHA), estimated construction costs, and the portion of those costs attributable to taxable construction materials and labor. The analysis assumes 670 multifamily AHA-approved units annually, consistent with recent activity levels and a small uptick in response to this credit. Average total development cost per unit is assumed to be approximately \$317 thousand (2024 dollars), based on recent New Mexico multifamily affordable housing cost data, and grown each year by S&Ps construction inflation figure for multiunit residential construction. Consistent with national analyses of affordable housing

development, approximately 63 percent of total development costs are assumed to reflect construction materials and labor that would be subject to gross receipts tax. Applying these assumptions results in an estimated \$138 million in annual taxable construction receipts. Using a statewide average effective gross receipts tax rate of 6.95 percent for the construction industry as reported in tax data, the associated forgone revenue is estimated at approximately \$10.3 million beginning in FY27, which is then allocated 60 percent to the general fund and 40 percent to local governments. Actual fiscal impacts may vary based on project size, geographic location, local tax rates, construction inputs, and the magnitude of induced activity.

The bill does not include an explicit cap on the total amount of gross receipts that may be deducted in any given year. As a result, the fiscal exposure is open-ended and dependent on the volume, scale, and location of qualifying construction activity. If multifamily affordable housing development increases significantly, or if large projects in high-GRT-rate jurisdictions qualify, the reduction in state and local gross receipts tax revenues could exceed initial expectations. The absence of a cap also limits the ability to manage or phase in the fiscal impact over time and increases uncertainty for both the general fund and local governments when forecasting revenues.

Section 6: Physician Tax Credit. According to Taxation and Revenue Department, using data from the U.S. Bureau of Labor Statistics Occupation Employment and Wage Statistics, there were approximately 3,860 eligible physicians in 2024. Adjusting for those who are part-time reduces the number of eligible taxpayers to 3,200. Because physicians typically earn in excess of \$250 thousand, it is assumed all would qualify for the full \$10 thousand credit without any remaining to carry forward. The number of future physicians can be estimated using a 1.6 percent growth rate. The fiscal impact is estimated to be a \$33.8 million reduction in personal income tax revenue, growing each year by TRD’s estimate of physician population.

Sections 7 and 8: Local News Printer Tax Credit. Putting multiple data sources together on number of news printers and employees in the state, LFC staff calculated there would be 582 qualified full-time employees and 71 part-time employees that would qualify for the credit. Together, these would generate \$6.7 million in credits, well over the \$1 million cap outlined in the bill. A single large printer, such as the *Santa Fe New Mexican* or the *Las Cruces Sun-News*, both of which employ over 100 full-time employees, could exhaust the credit. The Taxation and Revenue Department estimate also exceeds the cap.

Section 9. High-Wage Jobs Credit. Under current law, companies can only receive credits for eligible jobs created before July 1, 2026. This section extends that date to July 1, 2036. Based on past claims data, the Tax and Revenue Department (TRD) estimates extending the credit will reduce revenue by \$10 million in FY27 and grow each year by the forecast for wages and salary growth. The credit can be applied to withholding, gross receipts (GRT), and compensating taxes, and the fiscal estimate of \$10 million is divided among these taxes and then distributed to the appropriate level of government. Distributions of compensating tax collections to the small cities assistance fund and small counties assistance fund are 15 percent and 10 percent, respectively. TRD notes the fiscal cost may be higher “given the recent announcements of multiple large business projects locating in New Mexico.”

Section 10. State Agencies, Public Schools, and Higher Education Institutions Compensation. General fund appropriations in this section to the Department of Finance and Administration (DFA) and to the public school fund total \$62.7 million and are for salary

increases for state, public school, and higher education employees. Amounts are based on those included in the House Appropriations and Finance Committee substitute for House Bills 2 and 3 (the General Appropriation Act), which would have funded a 1 percent salary increase for employees who have completed their probationary period but was removed through Senate amendment. Both the LFC and executive budget recommendation estimated the general fund cost of a 1 percent salary increase at \$62.7 million for state agencies, higher education, and public schools.

As is typical for compensation appropriations, the amendment includes specified amounts for general fund appropriations and authorizes DFA to transfer equivalent amounts from non-general fund sources—other state funds and federal funds—for employees who are not paid with general fund appropriations. LFC estimates the non-general fund share at \$13.1 million, based on an average general fund share of 57 percent for state agencies, 80.7 percent for higher education institutions and 100 percent for public schools.

SIGNIFICANT ISSUES

Sections 1 and 2: CIT Decoupling. In New Mexico, changes to the federal corporate income tax code automatically flow through to state corporate income tax code absent legislative action. H.R.1 made several changes to the federal corporate income tax code from which this bill decouples. This section provides details on each of these provisions and summarizes other states' recent legislative action. Given the complexity of the topic, this analysis begins with background on key concepts.

Background

Depreciation Concepts. Depreciation is an accounting method that spreads the cost of an asset over its useful life to reflect the gradual loss of value as the asset is used. When and how depreciation is allocated to be deducted for tax purposes determines how it reduces taxable income. Businesses subtract the loss in value by a portion of an asset's cost each year, thereby lowering current tax liability and deferring taxes to future periods. In general, business income taxes follow three steps:

1. Calculate businesses revenues,
2. Subtract business expenses to calculate taxable income, and
3. Multiply taxable income by the tax rate to determine total tax liability.

In general, a business can deduct most business expenses—like wages, maintenance, or services—to determine its taxable income because these reduce a business's net income. Calculating income becomes trickier when considering longer-term investments. When a business purchases a \$10 thousand machine, its net worth remains the same, but its cash is reduced by \$10 thousand.

The appropriate way to deduct the costs of these long-term investments has been a central debate in U.S. tax policy for many decades. The opposing approaches are called economic depreciation and full expensing.

The economic depreciation approach would allow an annual deduction equal to the decreased value of the asset. Under this, a \$10 thousand machine that lasts 20 years could receive a deduction of \$500 per year.

The full expensing approach allows a business to deduct the full \$10 thousand cost of the machine in the first year, which significantly increases the after-tax profits on a “present value” basis. Under full expensing, businesses effectively receive an interest-free loan from the government.

The changes made by H.R.1 direct U.S. tax policy closer to full expensing. Under the bill’s changes, businesses can permanently claim 100 percent of the costs of certain capital investments in the year an investment is made.

Before 2017, businesses were generally permitted to deduct 50 percent of their investment costs in the first year, with the rest taken according to a depreciation schedule. The Tax Cuts and Jobs Act of 2017 added a temporary full first-year expensing provision. By 2025, the reduction was 40 percent of the investment costs in the first year. H.R.1 provided a permanent 100 percent expensing in the first year.

Under this provision, businesses in New Mexico would not be able to claim any bonus depreciation in the first year of an asset for state income tax purposes and instead would return to the pre-2001 system, applying the modified accelerated cost recovery system and offering no additional beneficial state tax treatment toward capital investments in New Mexico. The exact increased tax burden would vary by taxpayers. For those with zero or negative tax liabilities, this section would have a small or no impact. For those with tax liabilities but with limited capital expenditures, the bill could have a small negative impact. However, this provision could significantly decrease after-tax profits in the long-term for businesses with tax liabilities that make significant capital expenditures. For example, LFC calculated the 20-year present value of after-tax profits would be 23 percent smaller for a \$10 thousand machinery investment under the scenario contemplated by these provisions compared with the H.R.1 baseline.¹

Policy Considerations. In general, the prevailing view among academic economists is that full expensing is the preferred approach to capital taxation from a tax reform perspective. Expensing effectively reduces the marginal tax rate on new capital investment to zero—or below—thereby strengthening incentives to invest. This view is grounded in standard corporate finance theory, which assumes firms make investment decisions to maximize the net present value of expected after-tax cash flows. This section would depart from this conventional tax policy framework by limiting expensing and moving toward a less generous treatment of capital costs.

Although economic theory suggests bonus depreciation and expensing can encourage investment, the empirical research is mixed. A 2024 Congressional Research Service review synthesizing more than a decade of studies reached several key conclusions. Research finds that bonus depreciation has been associated with increased domestic investment in eligible assets, but it is unclear how much of that investment would have occurred in the absence of the incentive. Evidence is mixed regarding whether the benefit is concentrated among larger or smaller firms. C corporations were more likely than pass-through businesses to claim expensing allowances,

¹ This estimate assumes economic depreciation rate of 5 percent, a pre-tax rate of return of 6.1 percent., and a 5.9 percent state tax rate. Under the this bill’s scenario, this analysis used a 150 percent declining balance depreciation method. The analysis assumes no NOL carryforward.

while firms with net operating losses or credit carryforwards were significantly less likely to benefit because their current cash flow did not increase from claiming the deduction. Finally, expensing was found to reduce the user cost of capital more for long-lived assets than for short-lived investments.

The Congressional Research Service further notes the effects of expensing on economic efficiency are mixed. On one hand, expensing may improve overall productivity, which can enhance economic efficiency. On the other hand, bonus depreciation may reduce efficiency because it disproportionately benefits profitable firms that can immediately use the deduction, while providing little or no benefit to firms with net operating losses or loss carryforwards. Efficiency may also be reduced because expensing applies only to certain tangible business assets with tax lives of less than 20 years, potentially distorting investment decisions by favoring equipment over longer-lived structures.

Policymakers should also recognize that the state-level implications of bonus depreciation differ from federal considerations. Neighboring states such as Texas do not levy a corporate income tax but rely more heavily on property taxes, which materially affect business investment decisions. Arizona does not conform to federal Section 168(k) bonus depreciation. In addition, the federal corporate income tax rate is more than three times higher than New Mexico’s corporate income tax rate, meaning the value of bonus depreciation deductions—and therefore their incentive effect—is smaller at the state level than at the federal level.

Detailed Section 1 and 2 Summaries

Full Expensing for Certain Business Property Section 168(k). H.R.1 provided a permanent first-year expensing—so called bonus depreciation—for some business capital investments placed in service after January 19, 2025. These generally include tangible property with a recovery period of 20 years or less, as well as specific other assets. This section decouples from this section of the Internal Revenue Code (IRC), removing all bonus depreciation from the New Mexico tax code. Over the last 20 years, bonus depreciation has been a significant component of the federal—and New Mexico—tax code. The history of bonus depreciation extensions is summarized below.

The History of Bonus Depreciation Extensions

Act	Depreciation Percentage*	Effective Dates
Job Creation and Worker Assistance Act of 2002	30%	2001–2004
Jobs and Growth Tax Relief Reconciliation Act	50%	2003–2006
Economic Stimulus Act of 2008	50%	2008
American Recovery and Reinvestment Act of 2009	50%	2009
Small Business Jobs Act of 2010	50%	2010
Tax Relief, Unemployment Compensation Reauthorization, & Job Creation Act of 2010	100%	2010–2011
Tax Relief, Unemployment Compensation Reauthorization, & Job Creation Act of 2010	50%	2012
American Taxpayer Relief Act of 2012	50%	2013
Tax Increase Prevention Act of 2014	50%	2014
Tax Cuts and Jobs Act	100%	2017–2022
Tax Cuts and Jobs Act	80%	2023
Tax Cuts and Jobs Act	60%	2024
Federal House Resolution 1 (H.R.1)	100%	2025

Source: Congressional Research Service, LFC Analysis

Special Depreciation Allowance for Qualified Production Property Section 168(n). H.R.1 newly added expensing for nonresidential property used in a qualified production activity, which mainly includes manufacturing and agricultural and chemical production. This section removes

this provision from the New Mexico tax code, increasing the tax liability of manufacturing businesses.

Modification of Limitation on Business Interest Section 163(j). H.R.1 made permanent a provision that allowed businesses to increase their business interest expense deductions. After January 1, 2022, businesses had to calculate taxable income to include depreciation and amortization deductions, which acted to decrease business's deductible interest expenses. H.R.1 permanently restored the more generous computation provision available and allows businesses to deduct a larger share of their interest and debt expenses each year, lowering taxable income. This section removes this provision from the New Mexico tax code.

Adding Apportioned Section 951A to Tax Base. H.R.1 expanded the taxation of multinational corporations by modifying the global intangible low-taxed income (GILTI) tax framework into a tax on net controlled foreign corporations (CFCs) tested income (NCTI). NCTI brings in all international income of a U.S. parent corporation's foreign subsidiaries and adds a new system of foreign tax credits that effectively only taxes the share that did not face substantial taxes abroad. This is meant to help distinguish between genuine activity abroad and simply transferring profits to low-tax countries, which both GILTI, and now NCTI, attempt to prevent.

This Section 1 and 2 adds the federal NCTI tax base into the New Mexico tax base. This represents a tax increase for businesses that pay NCTI federally and have a nexus in New Mexico. The bill requires these taxpayers to apportion their income based on three factors: payroll, property, and sales, similar to all other apportionment in New Mexico. Unlike the federal system, this section does not provide taxpayers with a credit to offset taxes paid on genuine activity abroad. This could represent a form of double taxation, where a taxpayer pays both a foreign tax and a New Mexico tax on the same income, including on the tax paid to a foreign country. While the apportionment provision may address this in some cases, the incidence of double taxation will vary.

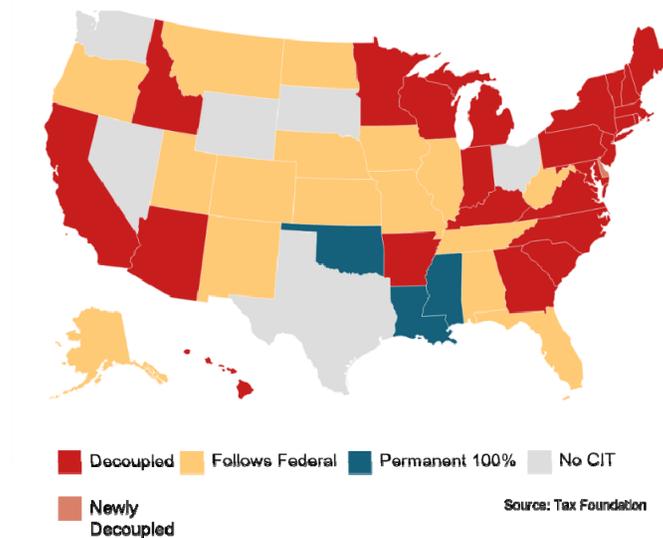
State Conformity

Like New Mexico, most states base their corporate income tax systems on the IRC. However, all states selectively decouple from certain federal provisions and modify others, and states differ in how closely and how quickly they conform to changes in the IRC. Some states automatically adopt the current federal code, while others conform to the IRC as it existed on a prior date and may not incorporate new provisions for years, if at all.

In addition, several states have taken explicit steps to decouple from provisions enacted under H.R.1, reflecting concerns about revenue impacts and state-specific tax policy objectives.

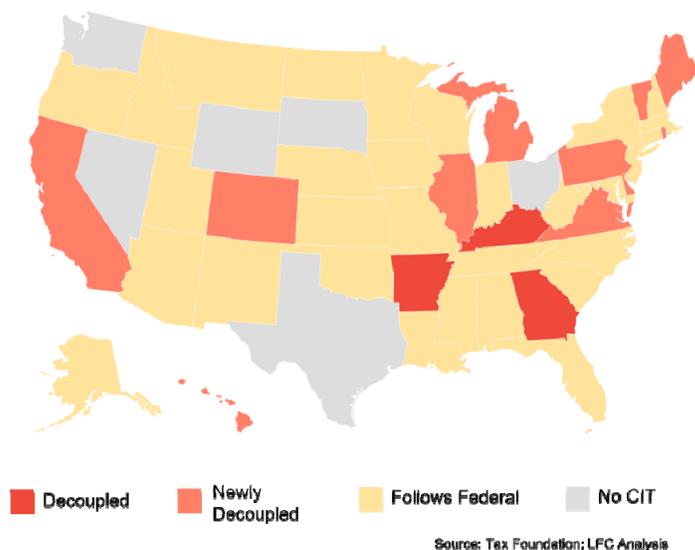
Full Expensing for Certain Business Property Section 168(k). Prior to H.R.1, 26 states had decoupled from federal bonus depreciation provisions, including Arizona. Since, at least one additional state has chosen to decouple from the provision. The latest summary of Section 168(k) conformity is provided in Figure 1.

Figure 1. State Conformity to §168(k) Bonus Depreciation



Special Depreciation Allowance for Qualified Production Property Section 168(n). Because Section 168(n) is a new provision, all but four states with corporate income taxes conformed to its provisions on enactment. Since then, 11 states have decoupled from the new additional depreciation for qualified production property. The latest summary of Section 168(n) conformity is provided in Figure 2.

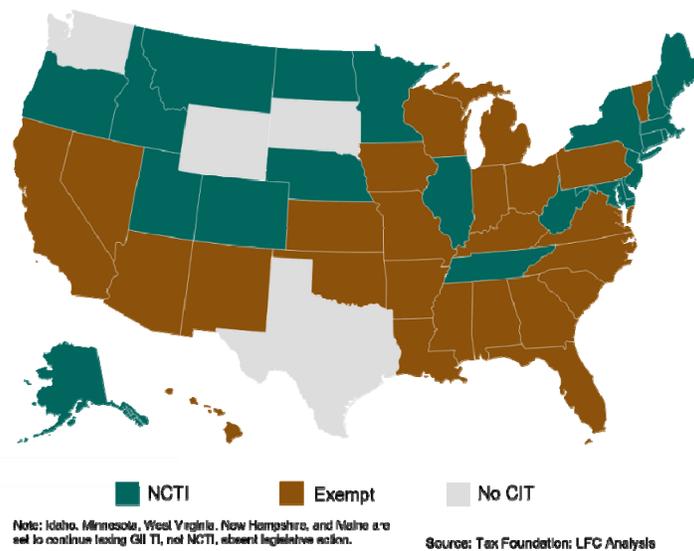
Figure 2. State Conformity to §168(n) Qualified Production Property Deduction



Adding NCTI to Tax Base. Prior to H.R.1, 22 states included at least some GILTI (now NCTI) in their tax base, although many reduced the tax liability exposure. Sixteen states and the District of Columbia will automatically follow the federal government in switching from GILTI to NCTI.

The latest summary of NCTI conformity is provided in Figure 3.

Figure 3. State Taxation of NCTI



Complexity

TRD analysis notes that federal conformity eases state tax administration:

New Mexico’s corporate income tax 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.

Sections 3 and 4: Local Journalist Credit. This section defines “journalist,” “local news organization,” and “wages,” but analysis of a duplicate 2025 bill by the Office of the Attorney General (NMAG) raises concerns about differing eligibility standards for print versus digital publications. Under the bill, print publications must publish at least one issue per month with 30 percent of content dedicated to state or local news, while digital-only publications must publish at least three original local stories per week and demonstrate that at least 50 percent of their digital audience is located in New Mexico. NMAG noted that this establishes a substantially higher production threshold for digital outlets, potentially creating an uneven standard for qualifying as a local news organization.

NMAG further identified potential implementation and policy issues with the digital audience location requirement, particularly for publications serving border regions, where locally focused reporting may reach audiences across state lines. The agency suggested clarifying what it means for a digital audience to be “located in New Mexico” and specifying a methodology for

determining compliance. NMAG also cautioned that the differing standards could be construed as favoring one form of journalism over another, potentially raising freedom of the press concerns, and noted that the requirement for a two-year publication history may exclude start-up or emerging local news organizations from benefiting from the credit.

Section 5: Construction GRT Deduction. This section could reduce construction costs for qualifying multifamily affordable housing developments by allowing a gross receipts tax deduction for construction materials and labor, potentially improving project feasibility and leveraging limited public and private housing resources. By tying eligibility to projects undertaken pursuant to the Affordable Housing Act (AHA), the bill incorporates certain guardrails, including income targeting at or below 80 percent of area median income and local government involvement, which may help ensure the deduction is directed to projects intended to serve a public housing purpose. Limiting eligibility to AHA-related projects also gives local governments a role in approving projects and implicitly deciding the extent of foregone local gross receipts tax revenue.

The bill incorporates existing AHA requirements, which include affordability-related guardrails. Under the AHA and implementing rules adopted by the Mortgage Finance Authority (MFA), qualifying grantees must be approved by a local government and MFA, demonstrate financial and managerial capacity, and enter into enforceable contracts that require housing units to be occupied by low- or moderate-income households. The rules also require project budgets, performance schedules, long-term affordability provisions, and remedies in the event of noncompliance, including the use of restrictive covenants or land use restriction agreements. These provisions are intended to prevent projects from being quickly converted to market-rate housing and to ensure continued public benefit when public resources or concessions are provided.

The AHA framework allows substantial discretion at the local level and by MFA because the statute and rules do not prescribe uniform affordability terms statewide. While this GRT deduction requires projects meet 80 percent median income eligibility and requires 80 percent of units be affordable, generally with AHA projects, income limits, rent levels, the share of affordable units, and the duration of affordability restrictions are determined through local ordinances and individual project agreements rather than fixed statutory standards. As a result, affordability requirements may vary significantly by jurisdiction and project. Unlike federal programs, such as the Low-Income Housing Tax Credit (LIHTC), the AHA does not establish standardized rent caps tied to household income, minimum affordability periods, or uniform recapture mechanisms tied directly to tax benefits. This flexibility may support locally tailored solutions, but it also makes it more difficult to assess the consistency and long-term affordability outcomes of projects receiving the deduction.

There are policy considerations related to how the AHA is used in practice. The AHA is primarily designed as an enabling mechanism for local governments to donate land, buildings, infrastructure, or other assistance, rather than as a comprehensive statewide certification of affordable housing. Many affordable housing developments receive federal, state, or local support without invoking the AHA, particularly where no local donation is involved. Tying eligibility for the deduction to AHA qualifying-grantee status may therefore exclude otherwise eligible or worthwhile affordable multifamily projects. This may require further clarification or statutory alignment if the intent is to allow projects to qualify even in the absence of a traditional housing assistance grant.

There are also administrative and compliance considerations. From a tax administration perspective, the deduction would place new compliance and verification responsibilities on sellers of construction materials and labor, who would be required to determine whether each transaction qualifies based on the buyer's status as a qualifying grantee and the project's approval under the Affordable Housing Act. Because eligibility depends on local government actions and MFA approval rather than a standardized, statewide certification, sellers may need to collect and retain project-specific documentation for each sale, increasing recordkeeping burdens and the risk of inconsistent application. This structure could also complicate audits for the Taxation and Revenue Department, which would need to verify not only the nature of the transaction but also the underlying project approvals, affordability agreements, and ongoing compliance with AHA requirements that are administered outside the tax system.

From a policy perspective, the bill may raise questions under a “but-for” test—that is, whether the deduction is necessary for projects to occur. Multifamily affordable housing developments typically involve large capital investments, and while construction materials and labor represent a meaningful cost component, the value of the gross receipts tax deduction may be relatively small compared with total project costs and other subsidies already layered into these developments. In many AHA projects, local governments donate land, buildings, or infrastructure or otherwise convey resources at below-market value, substantially reducing upfront development costs. Because land donation or other local assistance is often a core element of AHA transactions, the deduction may further subsidize projects that are already financially viable due to these existing contributions. As a result, the incentive may primarily reduce costs for developments that would likely proceed absent the deduction, rather than serving as a determining factor in whether a project moves forward.

This section provides a tax credit to offset or greatly reduce the additional costs a physician faces, including gross receipts taxes. LFC review of other state statutes suggests this section would create the country's largest statewide tax incentive for physicians.

New Mexico faces a shortage of medical professionals. The 2025 healthcare workforce report estimates the state needs an additional 334 primary care physicians, 59 obstetricians/gynecologists, and 10 general surgeons to bring all New Mexico counties to the benchmark provider-to-population ratio. The shortage of medical professionals is not unique to New Mexico and not limited to physicians. This section provides a significant benefit to eligible taxpayers, potentially incentivizing physicians to move their practices to New Mexico. A recent survey of physicians by LFC identified compensation as one of the reasons physicians left the state, along with malpractice punitive damage risk and quality of life.

This credit complements the rural healthcare practitioner tax credit, which provides an income tax credit of \$5,000 to physicians who operate in rural areas. Combined, physicians in rural areas would be eligible for \$15 thousand. According to the 2025 tax expenditure report, the rural healthcare practitioner credit provided \$14 million in benefits to 4,592 healthcare practitioners. Physicians were not separately reported.

TRD notes that those claiming the rural healthcare practitioner credit do not always have incomes sufficient to claim the whole credit (\$5,000 for physicians) because of lower salaries in rural areas. For these taxpayers, the additional credit is not as much of a benefit, and they will carry more forward to future years. Stacking an additional tax credit for all physicians as contemplated by this section will exacerbate this issue for some taxpayers. Additionally, this

section likely acts to reduce the incentive for physician's to work in rural areas of the state.

Some physicians may have already planned to practice in the state or were attracted by the rural healthcare practitioner credit, meaning this new credit may not significantly change behavior. An effective tax incentive passes the so-called “but for” test, where a desired activity would not have occurred but for the incentive.

The healthcare workforce shortage includes dentists and other health care professionals that are not eligible for this credit. Targeting narrow sections of the healthcare workforce leads to inequity. As TRD notes:

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.

According to federal Occupational Employment and Wage Statistics data, the average annual wage for physicians is about \$310 thousand. At this income level, a physician would be in the top 2 percent of taxpayers. This section erodes progressivity in the tax code by reducing the tax burden of high-income taxpayers and providing no direct support for low-income taxpayers.

Sections 7 and 8: Local News Printer Tax Credit. The bill establishes several guardrails for the proposed credit: only one credit per employee per year, a maximum of 100 credits per employer annually, and a combined annual cap of \$1 million for all PIT and CIT credits. Credits are refundable and awarded on a first-come, first-served basis, with no rollover of unused claims. Eligible printers must have operated for at least five years, employ at least five employees, and print newspapers containing state or local news. Claimants may not be publicly traded corporations or majority owned by publicly traded corporations.

Because eligibility is limited to a specific industry and the credit is refundable, similarly situated taxpayers with comparable income may be treated differently, raising horizontal equity concerns. Refundability allows claimants to receive payments in excess of tax liability, increasing disparities between eligible and non-eligible taxpayers. Providing industry-specific incentives through PIT and CIT may also increase revenue volatility, narrow the tax base, and add complexity to the tax code.

The credit includes multiple eligibility requirements for both local news organizations and printers, which may increase administrative and compliance burdens for taxpayers and the Taxation and Revenue Department. TRD supports sunset provisions to allow policymakers to evaluate effectiveness and supports delayed repeals to maintain clarity in the tax code.

Section 9. High-Wage Jobs Credit. The high-wage jobs tax credit has existed since 2004 and has been extended twice. According to the 2025 *New Mexico Tax Expenditure Report*, there were 86 claims in FY25 for \$9.2 million. In June 2025, LFC reviewed the credit and reported that, based on FY24 data, there was a 47 percent return on investment (the New Mexico economy grows by 47 cents for every \$1 spent) and a negative 83 percent return in revenue (New Mexico only recoups 17 cents for every \$1 spent). However, the report also indicated that the credit met its purpose by creating 135 high wage jobs. The Economic Development Department (EDD) reports, because the credit is refundable, it “is very attractive to both existing New Mexico

companies creating high-wage jobs and those locating and considering location to the State.” EDD cites it as “one of the most valuable tools in the Economic Development Department’s toolbox for business expansion and attraction.”

ADMINISTRATIVE IMPLICATIONS

In general, TRD may have significant difficulty implementing some changes proposed in this bill by required deadlines. At the time of this writing, the General Appropriation Act of 2026 appropriates \$5 million to TRD to implement tax and motor vehicle code changes mandated in legislation.

PERFORMANCE IMPLICATIONS

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- Adequacy: Revenue should be adequate to fund needed government services.
- Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.
- Equity: Different taxpayers should be treated fairly.
- Simplicity: Collection should be simple and easily understood.
- Accountability: Preferences should be easy to monitor and evaluate

Sections 3 and 4: Local Journalist Credit. The LFC tax policy of accountability is met with the bill’s requirement to report annually the data compiled from the reports from taxpayers taking the credit and other information to determine whether the credit is meeting its purpose.

Section 5: Construction GRT Deduction. The LFC tax policy of accountability is met with the bill’s requirement to report annually the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

Section 6: Physician Tax Credit. The LFC tax policy of accountability is met with the bill’s requirement to report annually the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

Sections 7 and 8: Local News Printer Tax Credit. The LFC tax policy of accountability is met with the bill’s requirement to report annually the data compiled from the reports from taxpayers taking the credit and other information to determine whether the credit is meeting its purpose.

Section 9. High-Wage Jobs Credit. The LFC tax policy of accountability is met with the bill’s requirement to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the credit and other information to determine whether the credit is meeting its purpose.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

See the fiscal impact reports for each of the bills below for more information on the related sections.

Sections 1 and 2: CIT Decoupling. Senate Bill 151.

Sections 3 and 4: Local Journalist Credit. Senate Bill 120.

Section 5: Construction GRT Deduction. Senate Bill 92.

Section 6: Physician Tax Credit. Senate Bill 12.

Sections 7 and 8: Local News Printer Tax Credit. Senate Bill 150.

Section 9. High-Wage Jobs Credit. House Bill 145.

Section 10. State Agencies, Public Schools, and Higher Education Institutions Compensation. House Appropriations and Finance Committee substitute for House Bills 2 and 3.

BG/IT/JF/JS/