

LFC Requester: \_\_\_\_\_

**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**Analysis.nmlegis.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}*

Check all that apply:

Original  Amendment \_\_\_\_\_  
Correction \_\_\_\_\_ Substitute \_\_\_\_\_

Date 1/19/2024

Bill No: S 119

Sponsor: Wirth  
Short FLAT CORPORATE INCOME  
Title: TAX RATE

Agency Name  
and Code  
Number: Department of Finance and  
Administration-341

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
	\$2,454	\$2,650	R	CIT

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(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 119 (SB 119) amends the corporate income tax rates by taxable income in Section 7-2A-5 NMSA 1978 (being Laws 1981, Chapter 37, Section 38, as amended). SB 119 proposes the implementation of a flat corporate income tax rate of 5.9 percent on taxable income. The proposed legislation only amends the tax rates for taxable incomes less than \$500 thousand from 4.8% to 5.9%.

**FISCAL IMPLICATIONS**

The starting point for this analysis was the corporate income tax by income bracket table in the 2023 Tax Expenditure Report. The table provides the tax paid by income bracket and by industry. The next step was to calculate an industry's taxable income. The proposed corporate income tax rate of 5.9 percent was applied to each industry's taxable income.

The proposed changes in SB 119 would lead to an increase in the revenue generated from corporate income tax by around \$2.454 million over the Consensus Revenue Estimating Group's December 2023 estimate for fiscal year 2025. For fiscal year 2026, the taxable income per industry was grown by the nation's corporate profits before taxes growth rate to calculate a new taxable income. Next, the proposed tax rates were applied to an industry's new taxable income.

The corporate income tax revenue is estimated to increase by \$2.650 million above the Consensus Revenue Estimating Group's December 2023 gross corporate income tax estimate.

**SIGNIFICANT ISSUES**

**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**