

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 1/24/24  
Bill No: SB181

Sponsor: Peter Wirth Agency Name and Code Economic Development Dept.  
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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 |                           |               |
|                   |      |      |                           |               |
|                   |      |      |                           |               |

(Parenthesis ( ) Indicate Expenditure Decreases)

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

|              | <b>FY24</b> | <b>FY25</b> | <b>FY26</b> | <b>3 Year<br/>Total Cost</b> | <b>Recurring or<br/>Nonrecurring</b> | <b>Fund<br/>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**

Senate Bill 181 amends the definitions of the Corporate Income and Franchise Tax Act, Section 7-2A-2 NMSA 1978.

The bill amends the “base income” definition to no longer allow the sum of certain types of income earned by a controlled foreign corporation, as defined in section 952 of the Internal Revenue Code, to be subtracted from the base income. Types of income no longer allowed to subtract can include:

- Insurance income
- Foreign base company income
- Income from a foreign country to which a provision denying a foreign tax credit applies
- Illegal bribes, kickbacks, or other payments paid to government officials
- An amount determined by multiplying the CFC's non-subpart F income by the international boycott factor

The bill also amends the definition of “water’s-edge group” to specifically exclude corporations that are organized or incorporated outside the United States or its possessions or territories.

The provisions of this bill apply to taxable years beginning on or after January 1, 2025.

**FISCAL IMPLICATIONS**

**SIGNIFICANT ISSUES**

Not allowing certain types of income earned by a controlled foreign corporation to be subtracted from the corporation’s net income would result in increased tax liability for corporations that have income that falls under section 952 of the internal revenue code. While it is difficult to estimate the exact impact, additional tax liabilities on a foreign corporation in the state would put New Mexico in a competitive disadvantage with prospective corporations who are looking to locate in the United States, which have income that falls within this category.

**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**