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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 93

SHORT TITLE: Standard Income Tax Deduction Increase

SPONSOR: Sena Cortez/Dow

LAST ORIGINAL
UPDATE: 1/28/26 **DATE:** 1/27/2026 **ANALYST:** Gray

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
PIT	\$0.0	(\$571,000.0)	(\$585,000.0)	(\$598,000.0)	(\$611,000.0)	Recurring	General Fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Taxation and Revenue Department

SUMMARY

Synopsis of House Bill 93

House Bill 93 (HB93) increases the personal income tax standard deduction to 205 percent of the federal income tax standard deduction. Currently, the New Mexico income tax standard deduction equals the federal income tax standard deduction.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026. The provisions of the bill apply to tax years beginning 2026.

FISCAL IMPLICATIONS

HB93 is expected to reduce recurring general fund revenues by \$571 million in FY27.

The Taxation and Revenue Department (TRD) estimated the impact using tax return data from tax years 2023-2024. TRD assumes taxpayers who itemize deductions will continue to do so because the choice “to itemize is influenced more by federal tax code than state tax code as the savings are often more substantial,” and the federal standard deduction remains the same. TRD grew the impact annually using S&P’s December 2025 inflation forecast.

LFC has serious concerns about the substantial risk to state revenues from the increase in

revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax policy principles for vetting, targeting, and reporting or action be postponed until the implications can be more fully studied.

SIGNIFICANT ISSUES

The standard deduction reduces taxpayers' taxable income, reducing income tax burden for all taxpayers. The standard deduction also ensures that taxpayers with income below the standard deduction amount pay no income tax. Rather than taking the standard deduction, taxpayers can choose to itemize their deductions. Currently, New Mexico's standard deduction is 100 percent of the federal standard deduction. In New Mexico, about 92 percent of taxpayers claimed \$16 billion in deducted income.

In 2026, the standard deduction amount is \$16,100 for single filers and \$32,200 for married filers. Under HB93, the deduction would increase to \$33,005 for single filers and \$66,010 for married filers. While this would represent tax relief for all filers, most of the benefit would accrue to taxpayers in higher income percentiles. For example, unmarried New Mexicans below the median income, about \$35 thousand, would see tax relief of less than \$100 on average. Those in the 75th percentile, about \$75 thousand, would see tax relief of about \$1,000 on average. Taxpayers in the 95th percentile, about \$200 thousand, would see tax relief of about \$1,500. About half of the costs of HB93 would be provided to taxpayers earning over \$100 thousand annually.

TRD notes:

This policy change will require notifying the public as the 2026 withholding tables have been published. With an applicable date of January 1, 2026, the change in the standard deduction may result in taxpayer and employer confusion and may result in more and higher refunds. If the point of the bill is to provide tax relief that taxpayers will see in their paychecks, TRD suggests an applicability date of January 1, 2027.

OTHER SUBSTANTIVE ISSUES

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.

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