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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 89

SHORT TITLE: Tax Holiday for Firearms

SPONSOR: Tobiassen

LAST ORIGINAL
UPDATE: _____ **DATE:** 1/26/26 **ANALYST:** Francis

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
GRT	Choose an item.	(\$1,410.0)	(\$1,440.0)	(\$1,488.0)	(\$1,536.0)	Recurring	General fund
GRT	Choose an item.	(\$930.0)	(\$960.0)	(\$992.0)	(\$1,024.0)	Recurring	Local 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

Department of Public Safety

SUMMARY

Synopsis of Choose an item.

Senate Bill 89 (SB89) provides a deduction from gross receipts tax for the sale of certain firearms, ammunition, bows, bow accessories, camping supplies, and fishing supplies during the period September 8 to December 31 annually. For firearms, ammunition, and bows, there are no restrictions; for camping and fishing supplies the deduction is limited by caps on the value of the purchase:

- Fishing tackle and bait: \$5 or less if sold individually and \$10 or less if sold as package.
- Camping flashlights, lanterns, and tackle boxes: \$30 or less
- Fishing rod and reel: \$75 or less if sold individually and \$150 or less if sold as package.
- Camping tents: \$200 or less

Sales by retailers operating under a franchise agreement are not eligible for the deduction.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

Senate Bill 89 creates a gross receipts tax holiday from September 8 to December 31 annually on purchasing hunting and camping equipment and firearms and ammunition. The Taxation and Revenue Department (TRD) reports a combined general fund and local government fiscal impact of \$1.8 million in FY 2027 using industry data for gross receipts tax revenue for specific hunting and firearms industry categories and a statewide effective tax rate. TRD notes that these industrial codes may exclude some taxpayers that report a different industry, which may be franchise retailers where the sporting goods section is a fraction of sales or small retailers that incidentally offer some of the products.

TRD notes that its estimate does not account for substitution where the timing of purchases is shifted to the holiday period. However, due to the high value of some of the purchases (e.g. firearms, bows, and tents) and the long duration of the holiday, LFC assumes 10% of revenue attributable to these transactions will get shifted from other times of the year to take advantage of the holiday, adding \$560.0 thousand to TRD's estimate in FY 2027.

The total fiscal impact for general fund and local governments for future years is determined by the December 2025 Consensus Revenue Estimating Group forecast of gross receipts tax revenue.

This bill creates or expands a tax expenditure. 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 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.

SIGNIFICANT ISSUES

TRD notes that although the tax holiday could support additional retail activity and support local business, the research on tax holidays is generally critical:

[Fiscal] analyses and research by organizations such as the Institute on Taxation and Economic Policy (ITEP) generally criticize sales tax holidays. This research suggests that the benefits of a tax holiday primarily result from shifting the timing of purchases rather than creating new economic activity or increased total sales over the long term. Also, tax holidays are regressive, as they are open to everyone, including wealthy residents and tourists, and do not specifically target low- to moderate-income households, who are most burdened by regressive tax structures like the GRT. This is relevant because research suggests that, on average, participants in outdoor recreation tend to have higher incomes.¹ The specific rules, such as timing and price caps, can create administrative burdens for Tax & Rev and retailers, particularly for smaller businesses trying to ensure compliance. Finally, lost revenue can impact funding for essential public services such as education, childcare, welfare reform, outdoor recreation infrastructure, and public safety. Despite the arguments against tax holidays, 19 states currently have tax holidays.

¹ [2025 Sales Tax Holidays: Tax-Free Weekends | Tax Foundation](#)

Three states currently have similar laws providing a sales tax holiday for hunting sales: Florida, Louisiana, and Mississippi.

- Florida recently enacted a nearly identical law to SB89 last year.² The first holiday period was September 8 to December 31, 2025.
- Louisiana has had a “Second Amendment” sales tax holiday since 2009 for one weekend in September. The Louisiana Department of Revenue estimates the holiday costs \$389.5 thousand in FY 2024.³
- Mississippi has a similar law to Louisiana, establishing a sales tax holiday for firearms, ammunition, and hunting supplies on the last weekend of August.⁴ Mississippi enacted the holiday in 2014. No impact is reported in the state’s annual tax expenditure report.

This bill narrows the gross receipts tax (GRT) base. Many New Mexico tax reform efforts over the last few years have focused on broadening the GRT base and lowering the rates. Narrowing the base leads to continually rising GRT rates, increasing volatility in the state’s largest general fund revenue source. Higher rates compound tax pyramiding issues and force consumers and businesses to pay higher taxes on all other purchases without an exemption, deduction, or credit.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is not met because TRD is not required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

TRD notes that the deduction is not required to be separately reported which will limit TRD’s ability to adequately provide information on the cost of the deduction. There is also no sunset date for policy makers to review the holiday after a period of performance for effectiveness.

ADMINISTRATIVE IMPLICATIONS

TRD notes:

The deduction period established in the bill, September 8 through December 31, is unusually long compared to other New Mexico tax holidays, which are typically limited to a single weekend. A nearly four-month deduction window may increase administrative complexity for both Tax & Rev and retailers, particularly in verifying eligibility, tracking qualifying sales, and ensuring consistent application of the deduction throughout the extended period. Although the dates may align with increased outdoor recreation activity, the bill does not provide a rationale for the length of the deduction period. In addition, the deduction applies only to specific categories of firearms, ammunition, and certain camping and fishing supplies, limiting the benefit to a relatively narrow group of taxpayers. From an administrative standpoint, deductions with a narrow scope can require detailed guidance, item-level verification, and additional compliance monitoring to

² [Florida Department of Revenue 2025 Hunting, Fishing, and Camping Sales Tax Holiday](#)

³ [The Fed - The Effect of Sales-Tax Holidays on Consumer Spending](#)

⁴ [Mississippi 2025 Second Amendment Sales Tax Holiday Updated 5-13-2025.pdf](#)

ensure that only qualifying products are deducted during the specified timeframe.

TECHNICAL ISSUES

TRD notes the following technical issues:

On page 3, subsection B, lines 5 through 7, receipts from a business operating under a “franchise agreement” cannot be deducted. For clarity in this exclusion, Tax & Rev recommends defining “franchise agreement” or referencing state statute where this is defined. Ambiguity may lead to protests and litigation.

On page 3, lines 9 through 15, the bill defines “ammunition” as a hull or casing containing a primer, one or more projectiles or bullets, and gunpowder. On page 4, lines 11 through 13, the bill defines a “firearm” as a weapon capable of firing a “missile.” The term “missile” is not defined in the bill, nor is it clear whether a “missile” is intended to be included within the definition of “ammunition.” In addition, the term is used only once. Clarification is therefore needed to ensure consistency and avoid ambiguity.

On page 4, lines 11 through 13, the bill provides a deduction for firearms, including pistols, rifles, and shotguns. Presumably, these firearms would be for hunting, but the bill does not specify that. As currently written, firearms purchased for purposes other than hunting would also be deductible. If the intent is to limit firearm purchases to a specific purpose, the definition can include additional language, or on page 2, lines 20 and 24, additional restrictions on purchases could be noted.

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

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✘	Not vetted
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	✘ ✘ ✘	No goals or measurement metrics included.
Transparent: The tax expenditure requires at least annual reporting by	✘	Not explicit in bill

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the recipients, the Taxation and Revenue Department, and other relevant agencies		language
<p>Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.</p> <p>Public analysis</p> <p>Expiration date</p>	<p>x</p> <p>x</p>	No reporting required and no sunset date.
<p>Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure.</p> <p>Fulfills stated purpose</p> <p>Passes “but for” test</p>	<p>x</p> <p>x</p>	No purpose stated; affected sales will likely be shifted to holiday period.
<p>Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.</p>	<p>x</p>	
Key: ✓ Met ✗ Not Met ? Unclear		

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