NEW MEXICO BULLETIN

TAXATION & REVENUE NEW MEXICO

Legislative Summary: 2025

Acts Affecting the Taxation and Revenue Department

The New Mexico Legislature met in a regular 60-day session that began January 21, 2025. During the regular session, the Legislature passed a number of acts affecting taxpayers and the Taxation and Revenue Department (Tax & Rev) that were signed into law by Governor Michelle Lujan Grisham. This bulletin gives an overview of Tax & Rev's role in the legislative process and a summary of the new legislation.

Taxpayers should be aware that subsequent legislation, regulations, court decisions, revenue rulings, notices, and announcements could alter the interpretations and descriptions contained in this bulletin. Please contact our call center at 1-866-285-2996 for clarification.

ROLE OF THE DEPARTMENT

Tax & Rev plays a unique and substantial role in the legislative process because of its expertise in tax policy, economic analysis, and tax administration. During the year, Tax & Rev undertakes four different roles associated with legislation:

Year-Round Trend-Spotter. Tax & Rev employees review federal legislation, court cases, and other sources to discover trends and their effects on current laws and administrative practices. Tax & Rev brings these issues to the Legislature's attention through meetings of various committees, particularly the interim Revenue Stabilization and Tax Policy Committee. In many cases, employees assist with drafting tax-related bills. Tax & Rev also detects technical flaws in previously-enacted legislation and identifies necessary revisions.

Year-Round Advisor. Tax & Rev advises the Governor, heads of other state agencies, legislators, interim legislative committees, and state agency task forces on various tax matters. Tax & Rev is often asked to review draft legislative proposals. These reviews include policy implications, economic effects, fiscal and administrative impacts, and associated legal issues. Copies of Tax & Rev's reviews are available on its website, https://www.tax.newmexico.gov/all-nm-taxes/legislation-overview/legislative-updates-proposed-legislation/

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Legislative Reviewer and Analyst. During each legislative session, Tax & Rev employees analyze every bill likely to affect Tax & Rev and state or local revenues administered by Tax & Rev. Fiscal Impact Reports (FIRs) examine each bill for its fiscal, legal, policy, and administrative impacts. FIRs incorporate the professional knowledge and experience of Tax & Rev economists, lawyers, systems analysts, and other specialists. Tax & Rev typically prepares FIRs on over 500 pieces of legislation during a 60-day general session and on over 250 pieces of legislation during a 30-day fiscal session. Copies of FIRs may be found on Tax & Rev's website at https://www.tax.newmexico.gov/all-nm-taxes/fir/.

Legislative Advisor. Tax & Rev staff provide testimony and advice during the legislative session. Tax & Rev maintains a legislative liaison office that includes the Secretary of Taxation and Revenue, the Tax Policy Director, and, as needed, other Tax & Rev executives. They advise and testify before various legislative committees, help draft legislation, explain fiscal, policy, and administrative impacts of proposed tax and motor vehicle legislation, and work with the Legislative Finance Committee and Legislative Council Service to develop solutions to legislative issues.

This publication provides instruction or general information to the taxpayer. It does not constitute a regulation or ruling as defined under Section 7-1-60 NMSA 1978. Taxpayers and preparers are responsible for being aware of New Mexico tax laws and rules. Consult Tax & Rev directly if you have questions or concerns about information provided in this publication.

The 2025 Legislature met for 60 days in regular session. Acts affecting the Taxation and Revenue Department (Tax & Rev) either administratively or programmatically during the session appear below in summary. The heading for each entry includes a title or description, the 2025 session law chapter number, the bill number, sponsor name, and the effective date of the law's provisions. All references to statutes are for the New Mexico Statutes Annotated (NMSA) 1978.

TAX ADMINISTRATION

Sensitive Personal Information Nondisclosure
Chapter 138 [SB-36]
Sponsor: Senator Antoinette Sedillo Lopez, Representative Cristina Parajon, Senator Elizabeth "Liz" Stefanics, and Representative Pamelya Herndon
Effective Date: July 1, 2025

This law prohibits the disclosure of sensitive personal information by state agency employees, with specific exceptions, and amends the Motor Vehicle Code to align with these provisions. It also prescribes penalties for violations.

Metro Development Project GRT Increments
Chapter 62 [SB-236]
Sponsor: Senator Carrie Hamblen and Representative Cristina Parajon
Effective Date: January 1, 2025

This law amends the Metropolitan Redevelopment Code to clarify the procedure for determining the gross receipts tax increments that are used to fund the metropolitan redevelopment area projects. This law also delays the effective dates of the bill from the 2023 legislative session, currently Laws 2023, Chapter 112, moving the effective date from July 1, 2024, to January 1, 2025.

State Fairgrounds District Act
Chapter 83 [SB-481]
Sponsor: Senator Mimi Stewart
Effective Date: July 1, 2025

This law creates the state fairgrounds district. The law provides authority for the district to establish a property tax levy on real property within the boundaries of the district and provides that 75% of the receipts attributable to the gross receipts tax and 75% of the receipts attributable to the gaming tax from locations within the district be distributed to a special fund designated for debt service on any bonds issued by the district.

Tax Changes
Chapter 130 [HB-218 – Sections 5-15, 18, 20-34, 38-47, 51-94 & 96-157]
Sponsor: Representative Derrick J. Lente
Effective Dates: Sections 1-15, 18, 20-34, 61, 66-94 & 96-157 – July 1, 2025; Sections 38-47, 51-60, 65, 120, 122, 130, 139, 149-152 – January 1, 2026

This law makes many small changes to the tax code in an extensive clean-up tax package. The portion of the law affecting the Tax Administration Act includes:

- Sections 2 – 9: Amends the Tax Increment Development District Act to account for destination sourcing and data collection.
- Section 10: Amends Section 7-1-4.4 NMSA 1978 to update current language, changing food stamps to the Supplemental Nutrition Assistance Program and the Human Services Department to the Heath Care Authority.
- Sections 11 – 15, and Sections 16, 18, 20 – 25: Amends the Tax Administration Act to update adjustments to tax distributions, delete obsolete language and make other small changes regarding distributions and to reflect destination sourcing of gross receipts tax.
- Section 26: Amends Section 7-1-13.1 to provide that taxpayers that owe over $25,000 total for certain tax programs will be required to pay electronically, and may no longer pay by cash or check, subject to waiver approved by Tax & Rev.
- Section 27: Amends Section 7-1-15 NMSA 1978 increase maximum a taxpayer may owe and be allowed to file and pay less frequently than monthly from $200 to $500. Also allows for intervals of filing up to annual if permitted by the Secretary.
- Sections 28, 30 and 31: Amends the Tax

Administration Act to remove the requirement for attorney general approval of refunds and abatements over $20,000 and closing agreements between Tax & Rev and taxpayers settling tax disputes. Also allows Tax & Rev to abate protests solely for penalty and interest less than $50.

- Section 29: Amends Section 7-1-26 NMSA 1978 to allow a completed return or an amended return that shows an overpayment of tax to constitute a refund claim for any tax program allowed by Tax & Rev. This change saves taxpayers the step of submitting a separate refund request.
- Section 32 – 34, 148: Amends sections of law to allow Tax & Rev to file tax liens electronically with the Secretary of State, in addition to the County Clerk, and to provide that liens may be filed without a notary signature.
- Section 38 – 47, 51 through 94, 96, 97, and 98 – 154: Amends several Acts to standardize and remove obsolete language from numerous tax credits. Streamlines language related to reporting on tax expenditures and to improve efficiency of administration.
- Section 91: Amends Section 7-9A-5 NMSA 1978 to reflect the current state gross receipts tax rate for purposes of the Investment Credit.
- Sections 155 – 157: Repeals 81 obsolete sections in the tax code. Repeals include several tax credits and rebates that have expired.

GROSS RECEIPTS AND COMPENSATING TAXES

Flood Recovery Bonds & Gross Receipts
Chapter 24 [SB-383]
Sponsor: Senator Candy Spence Ezzell
Effective Date: March 28, 2025

Allows for a new option for any municipality to enact a new tax increment, the "municipal flood recovery gross receipts tax." The incremental tax is not to exceed one-fourth percent and may be imposed until the flood recovery bonds issues are fully discharged.

Medical Psilocybin Act
Chapter 73 [SB-219 – Section 12]
Sponsor: Senators Jeff Steinborn, Martin Hickey, Craig W. Brandt, and Representatives Elizabeth "Liz" Thomson and Andrea Romero
Effective Date: June 20, 2025

This law amends Section 7-9-73.2 NMSA 1978 to add to the deduction psilocybin products and medical care that are sold in accordance with the Medical Psilocybin Act for gross receipts tax and governmental gross receipts tax.

Tax Changes
Chapter 130 [HB-218 – Sections 1, 68, 85, 102, 106, 108-112]
Sponsor: Representative Derrick J. Lente
Effective Date: July 1, 2025

This law makes many small changes to the tax code in an extensive clean-up tax package. The portion of the law affecting the Gross Receipts and Compensation Tax Act includes:

- Sections 1, 102, 106, 108 – 112: Amendments to several Acts to remove the January 1 local option gross receipt tax rate changes, except for some local options in case of emergency or unforeseen occurrence impacting reserve levels. The result of these amendments is that most gross receipt tax rates will only change annually.
- Section 68: Amends Section 7-9-43 NMSA 1978 to clarify that a taxpayer does not receive the safe harbor of a non-taxable transaction certificate (NTTC) if the NTTC is obtained in bad faith. This reflects a recent New Mexico Supreme Court decision.
- Section 83: Amends Section 7-9-95 NMSA 1978 to move the back-to-school gross receipts tax tax holiday one week earlier, reflecting earlier school start days.
- Section 85: Amends Section 7-9-103.2 NMSA 1978 to require that the electricity exchange deduction be reported separately and that the taxpayer taking the deduction consents to Tax & Rev reporting the amount of the deduction in the annual tax expenditure report if there are fewer than three taxpayers taking this deduction.

INCOME TAXES

Tax Changes
Chapter 130 [HB-218 – Sections 17, 36, 48, 50, 54]
Sponsor: Representative Derrick J. Lente

Effective Date: January 1, 2026

This law makes many small changes to the tax code in an extensive clean-up tax package. The portion of the law affecting the Income Tax Act and Corporate Income and Franchise Tax Act includes:

- Sections 17 and 48: Amends Section 7-1-6.18 NMSA 1978 and Section 7-2-18.38 NMSA 1978 to consolidate several voluntary PIT refund contributions and revenue distributions into fewer sections.
- Sections 36: Amends Section 7-2-12 NMSA 1978 to remove the April 30 extended Personal Income Tax (PIT) deadline for taxpayers who file and pay electronically. All electronically filed PIT returns now have the same due date as a return filed by paper, which is the day of the individual's federal income tax return.
- Section 50: Amends Section 7-2-31.1 NMSA 1978 to increase the threshold from $5,000 to $10,000 for conditional repeal of any voluntary PIT contribution.
- Section 54: Amends Section 7-2A-9 NMSA 1978 to remove the extended due date for filing a Corporate Income Tax (CIT) return electronically. That extension date previously was the last day of the month in which the corporation's federal income tax return was due. All electronically filed CIT returns now have the same due date as the corporation's federal income tax return.

OTHER TAXES

High-Wage Jobs Tax Credit "Threshold Job"
Chapter 107 [HB-368]
Sponsor: Representative Joshua N. Hernandez and Meredith A. Dixon
Effective Date: June 20, 2025

This bill amends Section 7-9G-1 NMSA 1978 to change the definition of "threshold job" to refer to the first 52 weeks of employment by an eligible employee instead of a calendar year, provided that the 52-week period begins on the day the eligible employee occupies the job.

State Fees & Funds
Chapter 84 [SB-535]
Sponsor: Senators George K. Munoz and Antoinette Sedillo Lopez
Effective Date: July 1, 2025

This law amends Section 52-5-19 NMSA 1978 to gradually increase the workers compensation assessment fee paid quarterly by employees from $2.00 to $2.50, and the fee paid quarterly by employers from $2.30 to $2.80, starting July 1, 2025, and through July 1, 2033.

This law amends Section 63-9F-11 NMSA 1978 to increase the telecommunications relay service surcharge from 0.33% to 1.66%. It also adjusts the current 100% distribution of revenues to the Telecommunications Access Fund to send 20% from the surcharge to the Telecommunications Access Fund and 80% to the 988 Lifeline Fund.

Tax Changes
Chapter 130 [HB-218 – Sections 63, 64, 95, 120, 122, 130, 139, 147, and 152]
Sponsor: Representative Derrick J. Lente
Effective Dates: Section 95 – July 1, 2025; Sections 63, 64, 120, 122, 130, 139, 147, and 152 – January 1, 2026.

This law makes many small changes to the tax code in an extensive clean-up tax package. The portion of the law affecting other tax programs includes:

- Section 63: Amends Section 7-3-7 NMSA 1978 to require that all employers must file annual withholding statements electronically, subject to a waiver by the Department. Previously, only employers with 25 or more employees were required to file these statements electronically.
- Section 64: Amends 7-3-13 to require all employers to file a quarterly withholding return with the Department by the 25th day of the month following the close of the calendar quarter. This quarterly return reports withholding information about each of the employer's employees, but is not the return in which the withholding tax is paid. Previously, this quarterly report was due the last day of the month and was only required to be filed by employers not required to file an unemployment insurance tax form with the Department of Workforce Solutions. Each of these quarterly withholding returns are now required to be filed electronically, and not just those with more than 50 employees.
- Section 95: Amends Section 7-13A-3 NMSA 1978 to remove the tiered contingent rate of

petroleum products loading fee currently based on the balance of the Environment Department's (NMED) corrective action fund. The fee will remain a flat $150, eliminating the need for an annual certification by NMED.

- Sections 120, 122, 130 and 139: Amends the Oil and Gas Acts to streamline advanced payments for oil and gas-related taxes to reflect the current process in which the Department calculates required payments, and the payments are collected annually rather than monthly.
- Section 147: Amends Section 7-40-5 NMSA 1978 to clarify that the insurance premium tax is not due on supplemental health care plans issued by nonprofit insurers.
- Section 152: Provides for the workers' compensation fee to be due on the 25th rather than the last day of the month in order to align with the withholding tax due date in 7-3-7 NMSA 1978.

PROPERTY TAX

Veteran Property Tax Exemptions
Chapter 10 [HB-47]
Sponsor: Representatives Art De La Cruz and Alan T. Martinez
Effective Date: March 20, 2025

This law implements two constitutional amendments approved by the voters in the November 2024 general election. Section 7-37-5 NMSA 1978 is amended to increase the veteran exemption from $4,000 to $10,000 for 2025, adjusted for inflation in 2026 and subsequent tax years. Section 7-37-5.1 NMSA 1978 is amended to change the current requirement that an eligible veteran must have a 100% permanent service-connected disability to be eligible for exemption and instead allows the exemption to be based on the percentage of the veteran's disability.

Tax on Property Owned by NM RETA
Chapter 104 [HB-295]
Sponsor: Representative Nathan P. Small
Effective Date: June 20, 2025

This law amends Section 7-36-4 NMSA 1978 to exempt from property tax improvements on land owned by the New Mexico Renewable Energy Authority.

MOTOR VEHICLE CODE

Nonrepairable Vehicle Certificates
Chapter 27 [HB-99]
Sponsor: Representatives Mark Duncan, Luis M. Terrazas, Patricia A. Lundstrom and Harlan Vincent and Senator William F. Burt
Effective Date: June 20, 2025

This law amends the motor vehicle code to reorganize and amend portions related to nonrepairable vehicle certificates of title. The bill creates a new process to address obtaining evidence of ownership after a total loss with that nonrepairable vehicle certificate.

Look Twice for Motorcycle License Plate Chapter 74 [SB-236]
Sponsor: Representatives Mark Duncan, Luis M. Terrazas, Patricia A. Lundstrom and Harlan Vincent and Senator William F. Burt
Effective Date: June 20, 2025

Provides that the "Look Twice for Motorcycles" special registration plate be issued for motorcycles.