TAXATION & REVENUE
NEW MEXICO

Legislative Summary: 2026

Acts Affecting the Taxation and Revenue Department

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OVERVIEW

The New Mexico Legislature met in a regular 30-day session that began January 20, 2026. 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.

Disclaimer: 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.

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; year-round advisor, legislative reviewer and analyst, and legislative advisor.

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.

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 for 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 the 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.

BILL SUMMARIES

Acts affecting the Tax & Rev either administratively or programmatically during the session appear below in summary. The heading for each entry includes a title or description, the 2026 session law chapter number, the bill number, sponsor name, and the effective date of the law's provisions.

TAX AND MOTOR VEHICLE ADMINISTRATION

HEALTH CARE AFFORDABILITY FUND

Bill: HB-4
Chapter 39
Sponsor(s): Representatives Renna Szczepanski, Elizabeth "Liz" Thomson, Joseph Franklin Hernandez, and Anita Gonzales and Senator Roberto "Bobby" J. Gonzales
Effective Date: May 20, 2026

The distribution percentages were updated between the General Fund and the Health Care Affordability Fund (HCAF) from the health insurance premium surtax starting September 1, 2027, impacting distributions for the fiscal year (FY) 2028. Under prior law, 55% was distributed to HCAF and 45% was distributed to the General Fund. Beginning in FY2028, distributions will be 80% to the HCAF and 20% to the General Fund. In FY2029 and beyond, the HCAF will receive 95%, and a 5% distribution to the Behavioral Health Program Fund will begin. Any unexpended money in the Behavioral Health Program Fund will revert to the HCAF at the end of the FY.

OIL & GAS CONSERVATION TAX CHANGES

Bill: HB-80
Chapter 60
Sponsor(s): Representatives Mark B. Murphy, Debra M. Sariñana, Elaine Sena Cortez, Meredith A. Dixon, and Jonathan A. Henry
Effective Date: July 1, 2027

The distribution of the oil and gas conservation tax (conservation tax) to the Oil and Gas Reclamation Fund (OGRF) at the expense of the General Fund is amended. The distribution between these two funds historically depended on the price of oil. This legislation removes the link to the tax rate and changes the permanent distribution to the OGRF of: 50% in FY2028; 75% in FY2029; 100% in FY2030 to FY2037; and 50% in FY2038 and beyond. The OGRF may be used to support statewide education on general energy, and the sources and impacts of all energy-related emissions.

TAX CHANGES – TAX & REV CLEAN UP BILL

Bill: HB-291
Chapter 31
Sponsor(s): Representatives Derrick J. Lente and Sarah Silva
Effective Date: July 1, 2026

Section 1: Section 7-1-6 NMSA 1978 was amended to allow Tax & Rev to pay attorney fees and costs awarded by a court or hearing officer from revenue distributions for any tax program it administers instead of paying the attorney fees and costs from Tax & Rev's operating budget. Previously, the ability to pay attorney fees and costs from revenue distributions had been limited to oil and gas litigation.

Section 2: Allows for interest to be waived when Tax & Rev has extended a tax deadline for good cause. Tax & Rev typically extends deadlines due to natural disasters or public health emergencies. This will allow taxpayers who have been granted an extension to take full advantage of the extension for tax, penalty, and interest allowed under Section 7-1-13 NMSA 1978. Under previous law, no penalty but interest will be owed when a taxpayer receives an extension.

Sections 3, 14, & 17: Allows rounding up or down to the nearest $0.05 for amounts due to Tax & Rev, the Motor Vehicle Division (MVD), and property taxes owed to county treasurers and was made because of the discontinuation of the penny. This is necessary if customers pay cash and pennies are unavailable to give change.

Section 4: Amends Section 7-1-16 NMSA 1978 to allow a delinquent taxpayer to renew their license or permit issued by another agency if they enter an installment agreement with Tax & Rev, remain in good standing with the installment agreement, and pay a minimum of 20% of the tax amount due.

Section 5: Amends Section 7-1-69 NMSA 1978 to remove the five dollar ($5) minimum late filing penalty for taxpayers subject to the Withholding Tax Act, Oil & Gas Proceeds and Pass-Through Entity Withholding Tax Act, and the workers' compensation fee. Under previous law, penalty was imposed when a return was filed showing zero tax due.

Section 10: Updates incorrect statutory reference in place since 2007 by changing "60-1-10" to "60-1A-19".

Section 15: Changes the distribution priority when there are excess proceeds from the sale of delinquent property by the Property Tax Division (PTD) and a taxpayer is delinquent on tax programs administered by Tax & Rev. Under this law change, the excess proceeds can be claimed for other tax delinquencies after offsetting PTD's costs of the tax sale.

Section 16: Clarifies that tax rate changes made by tribal governments for which there is a cooperative revenue sharing agreement with Tax & Rev are to follow the same timeline for rate changes as local governments. This bill also adds the Navajo Nation to the list of tribes with which Tax & Rev can enter into a cooperative agreement.

MOTOR VEHICLE CODE "PERSONAL INFO" – TAX & REV CLEAN UP BILL

Bill: SB-111
Chapter 11
Sponsor(s): Senator Antoinette Sedillo Lopez and Representative Cristina Parajón
Effective Date: May 20, 2026

Section 66-1-4.14 NMSA 1978 of the Motor Vehicle Code expanded the definition of "personal information" to include an individual's sex, gender identity, immigration status, or national origin. This ensures that sensitive MVD customer information remains confidential unless specified in law.

LOW-INCOME TELECOMM. ASSISTANCE PROGRAM

Bill: SB-152
Chapter 34
Sponsor(s): Senator Michael Padilla, and Representatives Pamelya Herndon and Debra M. Sariñana
Effective Date: July 1, 2026

Amends the Rural Telecommunications Act of New Mexico to establish a low-income telecommunications assistance program and restructure the existing broadband program. **Section 2&3:** Amends the telecommunications relay surcharge and 911 emergency surcharge imposition sections to update references to the low-income telecommunications assistance program pursuant to the Rural Telecommunications Act of New Mexico.

GROSS RECEIPTS TAX

CORPORATE INCOME TAX CHANGES

Bill: SB-151

Chapter 69
Sponsor(s): Senators Peter Wirth, Heather Berghmans and Natalie Figueroa and Representative Cristina Parajón
Effective Date: July 1, 2027

Section 5: Creates a new gross receipts tax (GRT) deduction for receipts from the sale of construction materials and labor used to build affordable housing multifamily residential housing projects prior to July 1, 2030. To qualify for the deduction, materials and labor must be sold to a qualifying grantee for a single project that is residential housing under the Affordable Housing Act. In addition, at least 80% of the units in the multifamily housing project must be for individuals with "low or moderate income", defined as a household with annual income not more than 80% of the median income for a geographic area where the house is located, as defined by the United States Department of Housing and Urban Development (HUD). The purchaser of the construction materials and labor will provide a nontaxable transaction certificate (NTTC) or alternative evidence to the seller to aid in documenting eligibility for this deduction. The deduction will require separate reporting on the GRT return.

HEALTH CARE DELIVERY ACCESS

HEALTH CARE DELIVERY & ACCESS REPEAL

Bill: SB-101
Chapter 49
Sponsor(s): Senators Elizabeth "Liz" Stefanics, Linda M. López, Nicole Tobiassen, and Representatives Reena Szczepanski and Elizabeth "Liz" Thomson
Effective Date: May 20, 2026

This act removed the delayed repeal of the Health Care Delivery and Access Act which makes the Act permanent.

INCOME TAXES

CORPORATE INCOME TAX CHANGES

Bill: SB-151
Chapter 69
Sponsor(s): Senators Peter Wirth, Heather Berghmans and Natalie Figueroa and Representative Cristina Parajón
Effective Date: May 20, 2026
Applicability: Taxable years beginning January 1, 2027

Sections 1: Decouples New Mexico from certain corporate income tax (CIT) provisions of federal H.R.1 (One Big Beautiful Bill Act or OBBBA), effective July 2025. The decoupling provisions amend the definition of "base income" removing the exemption and now requires that the Internal Revenue Code's (IRC) Section 951A income from controlled foreign corporations (CFC) is added back to "base income" determine New Mexico's tax base by conforming to the federal tax code's inclusion of income from controlled foreign corporations – having the effect of adding this income back into New Mexico's taxable income base.

Decouples from IRC Sections 168(k), 168(n), and 163(j)(2) deductions. Sections 168(k) and 168(n) of the IRC contain new federal bonus depreciation and interest expense deductions. These changes add back to New Mexico's base income the amount of the deductions exceeding the deduction amounts allowed by IRC Sections 168(a) through (j). Decouples New Mexico from IRC Section 163(j)(2), business interest expense limitations, by adding back the additional interest deduction taken for federal tax purposes.

Section 2: Amends Section 7-4-10 NMSA 1978 to provide specific provisions governing the apportionment of CFC income. It clarifies that, for income apportionment purposes, CFC income that is included in New Mexico income is reflected in the numerator and denominator of the taxpayer's apportionment factor.

MOTOR VEHICLE TAXES, FEES, AND DRIVER'S EDUCATION REQUIREMENTS

STATE HIGHWAY PROJECT BONDS

Bill: SB-2
Chapter 4
Sponsor(s): Senators Roberto "Bobby" J. Gonzales, George K. Muñoz, Pete Campos, Benny Shendo, Jr., and Representative Art De La Cruz
Effective Date: Section 1, 2, & 5: July 1, 2026. Sections 3 & 4: January 1, 2027

Sections 1 & 2: Increases the weight distances tax (WDT) by 35% based on the vehicle's gross weight. Vehicle registration fees are increased by 25%; a vehicle that is not more than 2,000 pounds from $27 to $33.75 after five years from $21 to $26.25; 2,000 to 3,000 pounds from $39 to $48.75 after five years from $31 to $38.75; more than 3,000 pounds from $56.00 to $70 after five years from $45 to $56.25.

Sections 3 & 4: Creates an additional registration fee for electric and plug-in hybrid electric vehicles. The electric vehicle (EV) fee for calendar year 2027 is $70; 2028 is $80, and 2029 and after is $90. The plug-in hybrid electric vehicle (PHEV) fee for calendar year 2027 is $35; 2028 is $40, and 2029 and after is $45. These new fees will be deposited into the Motor Vehicle Suspense Fund. The Motor Vehicle Division (MVD) will determine if a vehicle is an electric vehicle or plug-in hybrid electric vehicle based on the vehicle's fuel type or power train classification.

Section 5: Changes the distribution to the State Road Fund of the Motor Vehicle Suspense Fund from 74.65% to 79.72% to the State Road Fund and slightly lowers the percentage distributed to each county.

DRIVER'S ED REQUIREMENTS

Bill: SB-73
Chapter 57
Sponsor(s): Senators Heather Berghmans, Antoinette Sedillo Lopez, and Natalie Figueroa, and Representative Cristina Parajón
Effective Date: January 1, 2027

This act requires three hours of driver education related to "vulnerable road users," that include pedestrians, persons riding or leading an animal, or driving a means of transportation not surrounded by a shell of protection – such as a bicycle or motorcycle. The three-hour requirement will apply to individuals seeking their first New Mexico driver's license and will be delivered through driver education courses.

PROPERTY TAX CODE

DISABLED VETERAN PROPERTY TAX CHANGES

Bill: HB-285
Chapter 9
Sponsor(s): Representatives Art De La Cruz, Alan T. Marinez, Debra M. Sariñana, Luis M. Terrazas, and Senator Harold Pope
Effective Date: February 25, 2026

Clarified the disabled veteran property tax exemption to specify that the property must be continuously occupied by the disabled veteran, which is the existing practice under prior law and Tax & Rev existing regulation. Clarification is also provided on how the exemption is applied if a property is owned by more than one disabled veteran. The exemption is calculated using the highest disability percentage of the eligible disabled veterans. The timeframe for disabled veterans to submit documents to the county assessor and to file a protest if needed to receive the disability determination from the U.S. Veterans Affairs Department.

EXTEND PROPERTY TAX EXEMPTION PERIOD

Bill: SB-58
Chapter 23
Sponsor(s): Senators Heather Berghmans, Nicole Tobiassen, Cindy Nava, and Representative Cristina Parajón
Effective Date: May 20, 2026
Applicability: Applies to leases of projects executed on or after the effective date.

Section 7-36-3.1 NMSA 1978 was amended to extend the property tax exemption period for project property in metropolitan redevelopment areas (MRA) for bonded indebtedness from 10 years to 14 years and from seven to 14-years from the anniversary of the acquisition date under Section 3-60A-13.1 NMSA 1978.

TAX CREDITS

ADVANCED ENERGY PRODUCTION DEFINITION

Bill: HB-154
Chapter 17
Sponsor(s): Representatives Meredith A. Dixon, Linda Serrato, Joshua N. Hernandez, and Senator Nicole Tobiassen
Effective Date: May 20, 2026
Applicability: Taxable years beginning January 1, 2026

The definition of an "advanced energy product" in the advanced energy equipment tax credit, for personal income and corporate income taxes, was amended to remove the reference to Section 45X of the Internal Revenue Code (IRC). The definition of advanced energy product now specifically lists the "advanced energy products" that are eligible for the credit under the federal definition, with the addition of fusion advanced energy products.

TAX CHANGES – TAX & REV CLEAN UP BILL

Bill: HB-291
Chapter 31
Sponsor(s): Representatives Derrick J. Lente and Sarah Silva
Effective Date: Sections 6-9: January 1, 2027. Section 11: July 1, 2026

Sections 6 - 9: Creates requirements for a New Mexico film partner to have meaningful involvement in a production for the production to qualify as a film partner production for purposes of the new film production tax credit. The bill also clarifies the current practice that a credit application is due to the New Mexico Film Office at the Economic Development Department (EDD) within one year of the last production expenditure being incurred, not paid.

Section 11: Amends the technology jobs and research and development tax credit to clarify that a qualified expenditure must be "essential for conducting qualified research" and caps wages of any single employee that are eligible for the credit at $500,000.

CORPORATE INCOME TAX CHANGES

Bill: SB-151
Chapter 69
Sponsor(s): Senators Peter Wirth, Heather Berghmans and Natalie Figueroa and Representative Cristina Parajón
Effective Date: May 20, 2026
Applicability: Taxable years beginning January 1, 2027

Sections 3 & 4: Creates the local journalist employment PIT and CIT credits. Prior to January 1, 2032, a taxpayer who is an owner of a local news organization that employs a journalist. The credit requires a certain amount of content devoted to state and local news and includes requirements for the work completed by the journalist. The tax credit is 30% of the wages paid to no more than 75 journalists employed by the local news organization. “Wages” means not more than $50,000 paid to a journalist, not including benefits, taxes, or other contributions. Tax & Rev certifies eligibility for the credit, up to $4 million in credits per calendar year. The credit is refundable. Tax & Rev will certify credit eligibility.

Section 6: Creates the physician tax credit against PIT. A credit of $10,000 is available to medical physicians or osteopathic physicians licensed in New Mexico who provide health care in New Mexico for at least 1,584 hours during a taxable year. The Department of Health (DOH) will certify credit eligibility. Excess credit can be carried forward for up to three consecutive taxable years. The credit has a sunset of taxable year 2031.

Section 7 & 8: Creates the local news printer PIT and CIT credits. Prior to January 1, 2032, a taxpayer who is an owner of a local news printer may claim the credit equal to the wages paid to each qualified employee employed by a local news printer in the taxable year. The credit requires the organization to already be established in New Mexico, has certain ownership requirements, and certain requirements for the work completed by employees. The credit cannot exceed $10,000 for a qualified employee working an average of 24 hours or more per week in a taxable year, and $5,000 for a qualified employee working an average of less than 24 hours per week. A taxpayer shall not be eligible to receive a tax credit for more than 100 qualified employees. The credit is refundable. Tax & Rev will certify credit eligibility.

Section 9: The bill extends the high-wage jobs tax credit by 10 years to apply to jobs created prior to July 1, 2036.

TOBACCO PRODUCTS TAX

TAX CHANGES – TAX & REV CLEAN UP BILL

Bill: HB-291
Chapter 31
Sponsor(s): Representatives Derrick J. Lente and Sarah Silva
Effective Date: July 1, 2026

Sections 12 & 13: Amends language related to “closed system cartridges” in the Tobacco Products Tax to clarify that closed-system cartridges (i.e. Juul pods and similar) containing more than five milliliters of e-liquid are subject to the same 12.5% tobacco products tax applied to the wholesale value of e-liquids. Cartridges containing five milliliters of less will remain taxed at $0.50 per cartridge.