



LEGISLATIVE BULLETIN

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DOWN TO THE WIRE

The second-to-last week of the legislative session kicked off with a House Tax Committee hearing to pass an “omnibus” tax bill (House Bill 547) that incorporates provisions from a number of bills heard previously in the session. Most importantly for municipalities, the damaging GRT anti-pyramiding provisions from House Bill 367 are not included in HB547. However, we anticipate efforts to amend the bill on the floor to add anti-pyramiding back in. We need to continue to communicate our concerns to legislators – that the revenue hit to cities is significant and uncertain, and that reductions in GRT revenue will lead to cuts in essential city services. HB547 will likely be heard on the House floor tomorrow (Saturday). If you haven’t already, please reach out to your House member to share municipal concerns.

HB547 includes over 20 substantive tax code changes. A few of these impact municipalities directly or indirectly, including an increase in the motor vehicle excise tax distribution to the Transportation Project Fund. See the next page for more details about the bill.

The Senate Judiciary Committee was due to debate **a committee substitute law enforcement bill** on Friday afternoon. The new bill will primarily include provisions from Senate Bill 19 (Senator Maestas) and Senate Bill 252 (Senator Pope). We identified some positive changes in both these bills, but also some concerning changes. After discussions with committee members and staff, we believe the proposed committee substitute is, overall, a needed step to modernize policing in the state. The new bill will include provisions relating to use-of-force policies, peer intervention, and development of an officer database, among other changes. At the time of writing, the committee had not yet heard the bill.

The House Tax Committee passed a committee substitute for **House Bill 505, the capital outlay bill**, on Friday morning. The bill includes approximately \$271 million for local governments projects, appropriated through the Department of Finance and Administration’s Local Government Division. See a full list of projects [here](#). After it passes the House floor, the bill will go to Senate Finance, which may make some changes and additions.

The “**junior bill**” (**Senate Bill 192**) has passed the Senate and is awaiting action by HAFC. Currently, SB192 includes \$66 million in additional appropriations, including money for local projects. See a full list of projects in the bill’s fiscal impact [report](#).

The Senate Finance Committee continues to work on **House Bill 2**. At this late stage, we wonder if the bill will end up going to conference committee (a temporary committee comprised of members from SFC and the House Appropriations and Finance Committee) to hash out differences between the House and Senate versions of the bill.

Municipal League Priority Legislation

In the meantime, several of our priorities hang in the balance. We are hopeful that HB2 will include \$50 million for airports statewide – less than our original proposal of \$300 million (**Senate Bill 104**), but still a significant and much-needed investment in local aviation infrastructure. We are less certain about the prospects for two other priorities – \$10 million for EMS services (**Senate Bill 23**) and \$2.5 million for public safety radio network subscriber fees (**Senate Bill 409**) – but we are continuing to advocate for both appropriations to be included in HB2.

Other Relevant Legislation

House Bill 547, the tax omnibus bill, includes over 20 changes to the tax code. The most significant of these from a fiscal impact perspective is the decrease in the state GRT rate, from 4.875% (which would go into effect on July 1, 2024, under current law) to 4.375%. A rate reduction will benefit all New Mexico businesses and individuals. We believe this is a positive tax policy change, especially when compared to proposed GRT anti-pyramiding deductions, which would be targeted to specific business professions. The rate reduction will not impact local governments; municipalities will still receive the 1.225% state share distribution of GRT.

HB547 includes the following provisions with direct or indirect impacts on local governments:

- **Childcare provider GRT deduction:** Creates a GRT deduction for the sale of childcare assistance through licensed program or for-profit kindergarten providers. *Estimated FY24 fiscal impact to local governments is -\$8.2 million.*
- **Medicaid renovation GRT deduction.** Creates a GRT deduction for providers that install medical equipment for Medicaid recipients. *Estimated FY24 fiscal impact to local governments is -\$180 thousand.*
- **Industrial Revenue Bonds for energy storage.** Allows local governments to issue IRBs for energy storage facilities. Intended to incentive retrofitting large-scale wind or solar installations with battery electric storage. *Fiscal impact uncertain; dependent on whether local governments issue IRBs for newly-eligible projects, which would provide GRT deductions for equipment installed in eligible projects.*
- **Motor vehicle excise tax distributions.** Restructures the MVX tax distribution to direct 75 percent to the state road fund and 25 percent to the transportation project fund, beginning in FY25. The project fund provides funding for municipal, county, and tribal projects including planning, design, construction, and right of way acquisition for highways, streets, roadways, bridges, crossing structures, parking facilities, and other transportation infrastructure. *The Transportation Project Fund will receive an additional \$17-19 million annually, beginning in FY25.*

Key legislative session dates:

Opening day (noon): *January 17*
Deadline for introduction: *February 16*
Session ends (noon): *March 18*
Legislation not acted upon by governor is pocket vetoed: *April 7*

Your legislator can be reached by name through the legislative switchboard: (505)-986-4300 in Santa Fe. The Legislature's website (www.nmlegis.gov) also contains legislator's email addresses. You can also check the League's website (www.nmml.org) for other League information.

See page 4 for a summary of how legislation is passed in New Mexico.

The tax bill also:

- **Increases liquor excise tax rates** by \$0.15 over current rates and distributes a portion of the revenue from the tax to a new alcohol harms alleviation fund.
- **Restructures the personal income tax rates and brackets** to increase the number of brackets, adjust the rates, and change the income range within each bracket.
- Requires that income levels eligible to receive the **low-income comprehensive tax rebate (LICTR)** be **adjusted to account for inflation**, and also **expands the income range** and slightly increases the rebate amount
- **Amends the rural healthcare practitioner tax credit** against income tax to add several categories of health workers to the list of approved practitioners eligible to receive the credit.
- **Increases the child tax credit** for the lowest three income levels from \$175 to \$600, \$150 to \$400, and \$125 to \$200, and requires annual adjustments for inflation.
- **Amends the limit of capital gains that may be deducted from personal income tax.**
- **Provides a one-time personal income tax rebate** of \$300 for single filers and married individuals filing separate returns and \$600 for married individuals filing jointly.
- **Creates a single corporate income tax rate of 5.9 percent.**

The above bullets are not exhaustive. For a detailed analysis of all bill provisions and fiscal impacts, see the bill [FIR](#).

How a Bill Gets Passed in the New Mexico State Legislature

A bill is introduced by a sponsoring legislator on the floor of either house, numbered by the clerk and referred for consideration to one or more committees of that house. The deadline for introduction of all bills except appropriations bills or bills requested by the Governor (special messages) is noon on the 30th day of a 60-day session or noon on the 15th day of a 30-day session.

Committee recommendations usually determine the success or failure of a bill. A bill may be amended in committee or on the floor at any point in the process – sometimes changed so significantly that its own author would not recognize it – or a substitute measure with the same number and general subject matter may be put in its place. If you are interested in a particular bill, do not be discouraged if it seems to sit for a long time in committee, particularly in a tax, finance, or appropriations committee. Bills requesting money or taxing authority often lie dormant until the last few days of a session and then move quickly.

If a bill passes successfully through its committee referrals, it returns to the floor of the chamber in which it was introduced for floor consideration. If it passes that chamber, it goes to the other chamber. However, it may also be tabled, referred again, or defeated.

In the second chamber the bill is again considered in one or several committees and it may again be amended or substituted. If it gets through its committee assignments, it returns to the floor of that chamber for consideration and may from there be referred, tabled, passed, or defeated.

If the bill passes the second chamber after being amended or substituted, the originating chamber must concur or fail to concur with the changes. If the originating chamber fails to concur, a conference committee representing both chambers is appointed to decide what to present to both chambers for acceptance.

A bill that has been passed by both the House and the Senate goes to the Governor for signature. The Governor may choose to sign or veto the bill. If the bill contains an appropriation, the Governor may veto portions if she wishes (*line-item veto*); if it does not, she may only veto the entire bill. If vetoed, 2/3 of the House and 2/3 of the Senate must vote in favor of the bill in order to override the veto. If the veto override fails, the bill dies.

Most bills do not reach the Governor's desk before the Legislature adjourns. The Governor has 20 days following the close of the session to sign, veto, or fail to sign (*pocket veto*) any bill that he or she did not act on during the session. In New Mexico, few bills make it all the way to enactment. The historic trend in the state is for more and more introductions each succeeding session.

General Abbreviation Codes

HB – House Bill
HCR – House Concurrent Resolution
HJR – House Joint Resolution
HJM – House Joint Memorial
HM – House Memorial
SB – Senate Bill
SCR – Senate Concurrent Resolution
SJR – Senate Joint Resolution
SJM – Senate Joint Memorial
SM – Senate Memorial
* - Contains Emergency Clause
CA – Constitutional Amendment

House Committees

HAFC – Appropriations and Finance

HAGC – Agriculture, Acequias and Water Resources
HCEDC – Commerce and Economic Development
HCPAC – Consumer and Public Affairs
HCW – Committee of the Whole
HEC – Education
HENRC – Energy, Environment and Natural Resources
HHHC – Health and Human Services
HJC – Judiciary
HLLC – Rural Development, Land Grants and Cultural Affairs
HLVMC – Labor, Veterans' and Military Affairs
HRC – Rules and Order of Business
HSEIC – State Government, Elections & Indian Affairs

HTPWC – Transportation, Public Works & Capital Improvements
HTRC – Taxation and Revenue

Senate Committees

SCC – Committees' Committee
SCONC – Conservation
SCW – Committee of the Whole
SEC – Education
SFC – Finance
SHPAC – Health and Public Affairs
SIRC – Indian, Rural and Cultural Affairs
SJC – Judiciary
SRC – Rules
STBTC – Tax, Business and Transportation