LFC Requester:	Brendon Gray

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to **billanalysis@dfa.nm.gov**
(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: *1/27/2026* *Check all that apply:*
Bill Number: *SB 151* Original *X* Correction __
Amendment ___ Substitute ___

Sponsor: Peter Wirth
Short Corporate Income Tax Changes

Agency Name and Code Number: State Ethics Commission 410
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Senate Bill 151 revises the definition of "base income" in the Corporate Income and Franchise Act to require inclusion of certain income controlled foreign corporations under section 951A of the Internal Revenue Code and removes an existing subtraction from that income. It requires taxpayers to add back amounts deducted at the federal level for bonus deprecation under section 168(k) and 168(n) of the Internal Revenue Code and additional interest expenses deductions resulting from sections 168(a) through 168(j) of the Internal Revenue Code. The amount of additional interest deducted as a result of the changes to Section 163(j)(8) of the Internal Revenue code; interest shall be eligible for the carryforward provision of Section 163(j)(2) of the internal Revenue Code. Senate Bill 151 additionally clarifies that apportionment rules apply to income attributed from controlled foreign corporations when such income included in net income. SB 151 provides a definition of Controlled foreign Corporation in Section 7-4-10 NMSA 1978 subsection E is amended to include to highlight that "controlled foreign corporation" in this section means a foreign corporation as defined by Section 957 of the Internal Revenue Code of 1986, as that section may be amended or renumbered. The provisions apply to taxable years beginning on or after January 1, 2027.

FISCAL IMPLICATIONS

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES

The bill increases compliance and audit complexity by requiring the inclusion of property, payroll, and sales factors of controlled foreign corporations when such income is included in net income. This may increase the administrative burden for both taxpayers and the Taxation and Revenue Department, particularly where foreign subsidiaries operate under different accounting standards of fiscal years.

This bill is expected to be revenue-positive in the short term due to the addback of bonus depreciation and expanded interest deductions; however, because disallowed amounts may be carried forward, the long-term revenue impact is uncertain and may fluctuate based on future federal tax changes.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Failure to enact this bill will result in New Mexico's corporate income tax base continue to automatically conform to recent federal expansions of bonus depreciation and business interest deductions, resulting in reduced near-term revenues. Income of controlled foreign corporations included in federal taxable income may continue to be excluded from New Mexico taxation or insufficiently apportioned, increasing the risk of base erosion and inconsistent treatment across taxpayers.

AMENDMENTS