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Income tax rebates were top tax expenditures in 2022
Direct benefits to citizens make up the largest share of tax expenditures

SANTA FE—Direct benefits to New Mexico citizens were by far the largest category of tax expenditures in Fiscal Year '22, according to the new Tax Expenditure Report from the Taxation and Revenue Department.

Together, the special session and regular session rebates approved by Gov. Michelle Lujan Grisham earlier this year accounted for almost \$912 million in tax expenditures. Those rebates respectively ranked as the No. 1 and No. 4 tax expenditures for 2022.

The Gross Receipts Tax deduction for groceries, valued at about \$422.6 million, and the deduction for prescription drugs, oxygen and medical cannabis, valued at \$371.7 million, ranked second and third respectively.

Tax expenditures include credits, deductions, exemptions and other mechanisms that reduce the amount of revenue that would otherwise flow into state or local coffers. This year's report can be found in the "Publications" folder on the Forms & Publications page at tax.newmexico.gov.

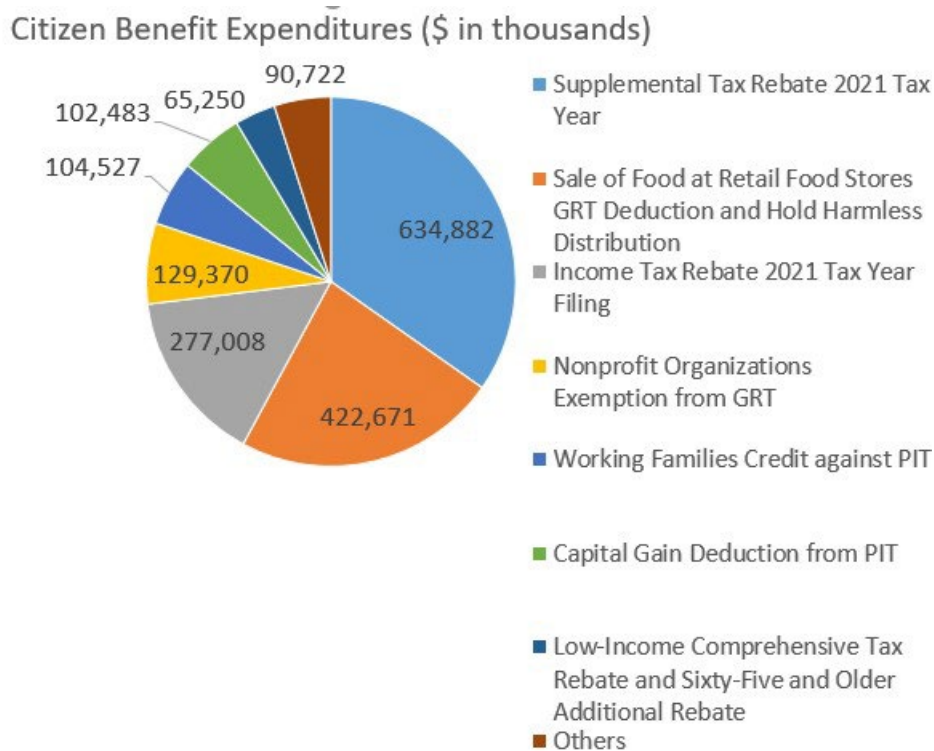
"This report shows that our work on the tax code over the past several years is making a difference for New Mexicans, especially for middle-class taxpayers and our most vulnerable residents," said Taxation and Revenue Secretary Stephanie Schardin Clarke.

Other top expenditures in 2022 included the 60% Gross Receipts Tax deduction for hospitals, at \$201.9 million, the non-profit organizations exemption from Gross Receipts Tax at \$129.3 million and the Working Families income tax credit at \$104.5 million.

The report breaks down the beneficiaries of tax expenditures into five main categories. "Citizen Benefits" is the largest, accounting for \$1.8 billion in unredacted expenditures,

or about 63%. That is more than double the 2021 total, when they accounted for about \$800 million, largely because of this year’s income tax rebates.

Expansion of the Working Families Tax Credit also contributed to the growth, rising from \$75.8 million in 2021 to \$104.5 million in 2022.



The Health Care category had the second-largest share of unredacted tax expenditures at \$736 million, or about 25% of the total.

Certain tax expenditure data is redacted in the report if fewer than three taxpayers claim the item.

The Tax Expenditure Report was presented to the legislative Revenue Stabilization and Tax Policy Committee on Monday.

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The Taxation and Revenue Department serves the State of New Mexico by providing fair and efficient tax and motor vehicle services. It administers more than 35 tax programs and distributes revenue to the State and to local and tribal governments throughout New Mexico.

The Department strives to reduce taxpayer burden through clearer communication, statutes, regulations, forms, correspondence and instructions.

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