



Office of the Governor

MICHELLE LUJAN GRISHAM

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Governor signs tax bill that will save New Mexicans \$231 million

New law lowers income taxes, creates credit for advanced manufacturing, clean cars

SANTA FE—Gov. Michelle Lujan Grisham on Wednesday signed into law an omnibus tax bill that will lower income taxes by more than \$160 million for New Mexicans and help the state transition to a clean energy future.

“Cutting costs for families has been a hallmark of my administration from Day One. Since 2019, our policies have saved New Mexico taxpayers more than \$910 million,” said **Gov. Lujan Grisham**. “On top of the savings for families and businesses, we are growing our clean energy economy through credits for advanced manufacturing, clean cars, geothermal, and more. This is what fair and responsible tax leadership looks like.”

The bill also creates a new income tax credit proposed by the governor for New Mexicans who purchase electric or plug-in electric hybrid vehicles beginning this year, as well as for purchase and installation of charging units.

The credits range from \$2,000 for a previously owned plug-in hybrid electric vehicle to \$3,000 for a new electric vehicle during the first three years. They decrease in value in later years, phasing out entirely after 2029.

The credit was designed to make electric vehicles accessible to a wider range of New Mexico consumers. Credits will be available for both new and used vehicles and they are transferrable, meaning buyers will be able to sell their credits at the time of purchase providing immediate price relief. They also are refundable, meaning taxpayers with lower income liabilities will receive the full value of the credit.

The bill will create a credit of up to \$400 for residential electric vehicle charging units and up to \$25,000 for commercial scale direct current charging units.

“With these new credits, we address both affordability and infrastructure at the same time,” said **Sen. Bill Tallman**, one of the credit’s sponsors.

The new law also includes the governor’s proposed advanced energy tax credit, which will offset up to 20% of the costs of equipment to produce components that qualify under the federal

Inflation Reduction Act's 45X provision for solar energy, wind energy, battery manufacturing, and rare earth element production. The credits will leverage the federal incentives and are expected to attract new clean energy sector businesses, leading to job creation and economic growth.

The credit is equal to 20% of qualified equipment costs up to a maximum \$25 million per project and capped at \$25 million per year.

The credit includes clawback provisions if the facility stops operations for 180 days within two years of claiming the credit. It becomes effective on Jan. 1, 2025, and sunsets at the end of 2032.

“New Mexico’s leadership in advanced-energy manufacturing is creating jobs, diversifying our economy, and providing the world with clean energy that is essential to combating climate change. This credit will continue to attract investments from around the globe that we need in our state to meet our ambitious climate goals,” said **Environment Department Cabinet Secretary James Kenney**.

The Advanced Energy Equipment Income Tax credit will be implemented by the Energy, Minerals and Natural Resources Department in partnership with the Departments of Economic Development and Taxation and Revenue.

Other clean energy incentives in the bill include:

- An increase in the aggregate cap for the Solar Market Development Tax Credit from \$12 million to \$30 million with an additional \$20 million available for homeowners who missed out on the credits in recent years because of the existing cap.
- Geothermal heat pump and electricity credits.
- A Gross Receipts Tax deduction for energy storage systems sold to governments.

“We advocated for these changes to the immensely popular Solar Market Development Tax so that more New Mexicans, including those on tribal lands and those who may have missed out on receiving the credit in prior years through no fault of their own, can access this important clean energy solution,” said **Dylan Fuge, Deputy Secretary of the Energy, Minerals and Natural Resources Department**, which administers the solar tax credit program. “We thank the governor and our legislators for these thoughtful reforms.”

House Bill 252 restructures the state’s Personal Income Tax brackets to reduce taxes for all taxpayers, but especially for those at the low- and middle-income levels. A married couple filing jointly with \$50,000 in income, for example, could save \$303 per year.

There will now be six brackets, compared to five under the existing structure, with rates ranging from 1.5% to 5.9%. It is the first major adjustment of brackets since 2005, meaning many taxpayers have moved into higher brackets as their income increased and due to inflation over the years.

The income tax cut comes on the heels of a ¼-cent reduction in the Gross Receipts Tax signed into law by the governor in 2022, saving consumers and businesses \$234.4 million per year. It was the first reduction in the state Gross Receipts Tax rate in 40 years.

The bill includes other benefits for individuals and families. Those include a new Gross Receipts Tax deduction for childcare services, making the partial income tax exemption for military pensions permanent, an increase in the special-needs adopted child tax credit, an income tax deduction for teachers who purchase classroom supplies, and credits for families recovering from the 2022 Calf Canyon fire.

It also makes the rural healthcare practitioner income tax credit available to a wider range of professions and makes it easier to qualify, helping to address the shortage of health care professionals in rural New Mexico.

“This bill continues the steady and significant progress we’ve made over the past five years to lower the tax burden for New Mexico families and businesses, with annual savings of about \$1 billion per year,” said **Taxation and Revenue Secretary Stephanie Schardin Clarke**.

The governor also previously signed into law a new Child Tax Credit that taxpayers are claiming for the first time this year, a new income tax exemption on Social Security benefits and other significant tax changes that have made New Mexico one of the most progressive tax states in the nation.

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