



Office of the Governor

**MICHELLE LUJAN GRISHAM**

**FOR IMMEDIATE RELEASE**

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## **Gov. Michelle Lujan Grisham introduces historic tax reform**

*Bill would lower Gross Receipts Tax rate, end 'pyramiding' from professional services*

SANTA FE — Gov. Michelle Lujan Grisham unveiled bipartisan legislation Thursday that would lower the state's Gross Receipts Tax rate an additional quarter-percent to 4.625 percent and create a deduction for a wide range of services sold to other businesses, saving New Mexicans as much as \$411 million in total.

House Bill 367 is being sponsored by Rep. Jason Harper.

The new deduction will alleviate the "pyramiding" consequences of the state's current Gross Receipts Tax (GRT) structure, in which businesses pass on the cost of taxes to their customers. The anti-pyramiding provision alone could save New Mexicans as much as \$179 million annually.

"This tax cut builds on the historic reductions we enacted last year, and the commonsense anti-pyramiding provisions in this bill will make goods and services even more affordable for all New Mexicans," said **Gov. Michelle Lujan Grisham**. "Plus, it's going to make New Mexico businesses even more competitive, continuing this administration's commitment to making our state the very best place to do business."

"Small businesses are really hit the hardest by pyramiding in the Gross Receipts Tax," said **Rep. Jason Harper**. "This reform will be a godsend, helping all 160,000-plus small businesses in New Mexico."

"The New Mexico Chamber shares the governor's focus on growing and diversifying our economy. We believe these much-needed targeted tax reforms will save our small businesses money, make our tax code more competitive, and help retain and grow jobs in New Mexico," said **Rob Black**, president and CEO of the New Mexico Chamber of Commerce.

"By expanding New Mexico's tax base over the past several years and with reserves at record levels, we've set the stage to enact significant tax reform and still keep the state on sound fiscal footing," said Taxation and Revenue **Secretary Stephanie Schardin Clarke**.

The quarter-cent rate reduction in the bill would be on top of the 1/8 cent cut already scheduled to take effect on July 1. That would bring the state GRT rate to 4.625 percent beginning July 1. Local option rates imposed by cities and counties would not be affected.

The lower rate will save New Mexicans about \$232 million.

The state's current gross receipts tax rate is 5 percent, down from 5.125 percent thanks to legislation approved by Gov. Lujan Grisham last year.

The anti-pyramiding provisions of the bill would create a deduction for legal, accounting, information technology, architectural, engineering and payroll services sold to other businesses. The change is expected to be especially helpful for small businesses, which are more likely to outsource functions like accounting, payroll and legal services.

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