



Office of the Governor

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**Gov. Lujan Grisham exempts Social Security
income from taxes, delivers first Gross Receipts
Tax reduction in 40 years**

*Social Security tax exemption, GRT reduction, major tax changes
take effect on July 1, saving New Mexicans hundreds of millions*

SANTA FE — Tax cuts signed into law by Gov. Michelle Lujan Grisham earlier this year go into effect on Friday, keeping more money in New Mexicans' pockets and easing the burdens of New Mexico seniors, families, and businesses.

The tax changes include exempting the majority of social security income from taxation and cutting the state's gross receipts tax rate for the first time in 40 years. By eliminating taxation on Social Security benefits for the majority of eligible New Mexicans, the legislation enacted by Gov. Lujan Grisham will save New Mexico seniors over \$84 million in the coming year.

Additionally, reducing the state's gross receipts tax for the first time in 40 years will save New Mexico businesses and consumers \$94 million in the first year alone. The statewide Gross Receipts Tax rate drops to 5% on Friday, July 1, down from 5.125%.

The social security tax exemption and GRT rate change was enacted alongside a robust package of tax reforms that will provide \$400 million in tax relief annually, including exempting military retirement benefits from taxation and instituting a new refundable child tax credit.

"Delivering this relief is so important for families, seniors, veterans and businesses experiencing nationally rising costs," said **Gov. Lujan Grisham**. "We're keeping hard-earned dollars in the pockets of New Mexicans and easing financial burdens for seniors, families, and businesses across the state."

House Bill 163 (HB 163) passed with significant bipartisan support during the regular session of the Legislature earlier this year. In addition to a personal income tax exemption for the majority of Social Security benefits and the gross receipts tax reduction, HB 163 also included:

- A one-time income tax rebate that will be sent to eligible taxpayers in July.

- Married couples who file jointly and heads of household who have under \$150,000 in adjusted gross income on their 2021 personal income tax returns will receive \$500;
 - Single filers with under \$75,000 in adjusted gross income will receive \$250.
- A new refundable child tax credit of up to \$175 per child, which will save New Mexico families \$74 million annually. The child tax credit takes effect beginning with the 2023 tax year.
- An end to the so-called “tampon tax” by creating a gross receipts tax deduction for feminine hygiene products.
- A five-year income tax exemption for armed forces retirees, starting at \$10,000 of military retirement income in 2022, rising to \$20,000 in 2023 and then to \$30,000 of retirement income in tax years 2024-2026.
- A one-time \$1,000 refundable income tax credit for tax year 2022 for full-time hospital nurses.
- A new gross receipts tax deduction for certain professional services sold to manufacturers, which will help reduce tax “pyramiding” by about \$5 million per year and make New Mexico businesses more competitive.
- An extension of the solar market tax credit, worth 10% of the purchase and installation cost of a solar power system.

“Tax credits like the Child Tax Credit implemented by Gov. Lujan Grisham are some of the best ways to improve opportunities for kids to thrive and reach their full potential,” said **Amber Wallin**, Executive Director of New Mexico Voices for Children. “New Mexico’s new Child Tax Credit is just one of the many ways the state is putting children, women, and families first in tax policy.”

“Once someone retires, it’s very difficult to increase your income,” said **Joseph P. Sanchez**, AARP New Mexico State Director. “With the rising costs on everything from gas and groceries to health care and utilities, eliminating the tax on Social Security for most New Mexicans could not have come at a better time. This law will keep more money in the pockets of retirees on fixed incomes who really need some financial relief. AARP commends Governor Michelle Lujan Grisham for making the elimination of the Social Security tax a top priority.”

“We applaud the Governor and the Legislature’s efforts to reduce the tax burden in New Mexico. In particular, elimination of the business-to-business GRT tax pyramiding impacts on manufacturing will make New Mexico much more competitive as we work to diversify and grow our economy,” said **Rob Black**, president and CEO of the New Mexico Chamber of Commerce.

As a result of the Gross Receipts Tax reduction, local rates for Gross Receipts Tax will change across New Mexico. Businesses and individuals can [find local rates](https://tax.newmexico.gov) at tax.newmexico.gov in either the Businesses or Governments menu. The statewide rate will drop by another 1/8 cent in July 2023.

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