



MULTISTATE INCOME/FRANCHISE TAX

## New Mexico enacts flat corporate income tax rate and taxes Subpart F income

### Tax Alert

## Overview

On March 6, 2024, New Mexico's governor signed [House Bill 252](#) (H.B. 252) into law. This legislation enacts a flat corporate income tax rate of 5.9% effective January 1, 2025, updates the definition of the corporate income tax base to include Subpart F income, introduces several changes to the gross receipts tax, and includes some individual income tax changes to rates of tax and tax thresholds for the state's graduated individual income tax.

This Tax Alert summarizes some of the corporate income tax and gross receipts tax related provisions in H.B. 252.

## Corporate income tax

- H.B. 252 eliminates the lower 4.8 percent corporate income tax rate applicable to income below \$500,000, leaving a flat 5.9 percent rate for all income group, effective on January 1, 2025.
- H.B. 252 expands the state's corporate income tax base to include Subpart F income effective on January 1, 2025.
- The legislation also narrows the exclusion from the water's edge filing group from all corporations wherever organized that have less than twenty percent of their property, payroll, and sales sourced to locations within the United States to only corporations organized or incorporated outside the United States or its possessions or territories that have less than twenty percent of their property, payroll, and sales sourced to locations within the United States.
- The legislation eliminates the sunset date for the single sales factor apportionment rule for taxpayers engaged in certain electricity generation, thereby allowing them to elect to apportion business income by single sales factor permanently.
- H.B. 252 extends certain existing tax credits and creates several new tax credits related to geothermal ground-coupled heat pumps, geothermal electricity generation units, electric vehicles, and electric vehicle charging units.

## Gross receipts tax

- H.B. 252 allows a gross receipts tax deduction for sales of energy storage equipment to municipalities for the purpose of installing an energy storage facility from gross receipts base.
- H.B. 252 further provides a gross receipts tax credit for sellers of dyed fuels on certain sales of such fuels.

### Get in touch

[Scott Schiefelbein](#)

[Cindy James](#)

[Jimmy Westling](#)

[Metisse Lutz](#)



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30 Rockefeller Plaza  
New York, NY 10112-0015  
United States

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