



MULTISTATE INCOME/FRANCHISE TAX

New Mexico enacts legislation addressing conformity to Internal Revenue Code

Tax Alert

Overview

On March 11, 2026, New Mexico [Senate Bill 151](#) (S.B. 151) was enacted into law. Among other changes, S.B. 151 modifies New Mexico's conformity to certain federal corporate income tax provisions, including Internal Revenue Code ("IRC") sections 168(k) and 168(n) relating to bonus depreciation and the deduction for qualified production property, and IRC section 163(j), relating to the business interest expense limitation. In addition, S.B. 151 incorporates certain federally included controlled foreign corporation ("CFC") income into the New Mexico corporate income tax base and provides related apportionment rules. The provisions apply to taxable years beginning on or after January 1, 2027.

On March 4, 2026, [House Bill 291](#) (H.B. 291) was also enacted into law, making a series of technical and administrative changes across New Mexico's tax statutes, including changes affecting tax administration, credits, penalties, and procedural procedures.

This Tax Alert summarizes some of the relevant provisions of S.B. 151 and H.B. 291.

Summary of conformity changes

Effective for taxable years beginning on or after January 1, 2027, S.B. 151 decouples New Mexico from IRC sections 168(k) and 168(n), which generally allow an immediate deduction for the full cost of certain qualifying property in the year the property is placed in service. The bill amends the definition of "base income" to require an addition to federal taxable income for deductions claimed under IRC sections 168(k) and 168(n), to the extent such deductions exceed the depreciation that would have been allowable under IRC sections 168(a) through 168(j).

S.B. 151 also requires an addition for interest expense deducted as a result of federal amendments to IRC section 163(j)(8)(A) enacted by the One Big Beautiful Bill Act. The bill provides that interest subject to this addition remains eligible for carryforward under IRC section 163(j)(2).

Inclusion and apportionment of controlled foreign corporation income

Also effective for taxable years beginning on or after January 1, 2027, S.B. 151 modifies New Mexico corporate income tax law to eliminate the deduction for Net CFC Tested Income ("NCTI") under IRC section 951A, thereby conforming New Mexico base income to federal taxable income that includes income attributable to CFCs. As a result, income included at the federal level under the NCTI regime will be reflected in New Mexico base income.

The bill further provides that income attributable to controlled foreign corporations is subject to New Mexico apportionment, requiring the inclusion of the property, payroll, and sales factors of a CFC in the apportionment calculation to the extent the CFC's income is included in net income.

Other changes

In addition to the corporate income tax conformity and tax base changes discussed above, S.B. 151 enacts changes involving the creation and modification of certain income tax credits for qualifying local journalists, local news printers, and physicians, and a gross receipts tax deduction specific to qualifying affordable multifamily residential housing.

Notable change enacted under H.B. 291

Unlike S.B. 151, which primarily addresses corporate income tax conformity and tax base changes, H.B. 291 focuses on tax administration and procedural matters. Among other changes, H.B. 291 authorizes the New Mexico Taxation and Revenue Department to waive interest when the department grants an extension of time to file or pay tax for good cause. This provision is effective July 1, 2026.

Get in touch

[Cindy James](#)

[Scott Schiefelbein](#)

[Kelley Wilson](#)

[James Westling](#)

[Matt Moffitt](#)

As used in this document, "Deloitte" means Deloitte Tax LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

This alert contains general information only and Deloitte is not, by means of this alert, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This alert is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this alert.

The services described herein are illustrative in nature and are intended to demonstrate our experience and capabilities in these areas; however, due to independence restrictions that may apply to audit clients (including affiliates) of Deloitte & Touche LLP, we may be unable to provide certain services based on individual facts and circumstances.

© 2026 Deloitte Development LLC. All rights reserved.