



March 6, 2026

The Honorable Michelle Lujan Grisham
Governor of New Mexico

Re: Request for Line-Item Veto – SB 151 Foreign Income Tax Provision

Dear Governor Lujan Grisham:

On behalf of the New Mexico Oil & Gas Association, the Permian Basin Petroleum Association, and the Independent Petroleum Association of New Mexico, we write to express our strong concern with the provision in SB 151 that would expand New Mexico's corporate income tax base to include Net Controlled Foreign Corporation Income (NCTI).

This change would reverse long-standing state policy and make New Mexico one of the few states to tax this type of foreign income. Because New Mexico does not provide the federal protections that prevent double taxation—such as the Section 250 deduction or the foreign tax credit—this provision would subject income already taxed abroad and federally to additional state taxation. The result is higher effective tax rates for U.S.-based companies operating in New Mexico, placing them at a competitive disadvantage while leaving foreign-owned companies unaffected.

The amendment also introduces significant administrative burdens. NCTI calculations require complex foreign subsidiary reporting that would increase compliance costs for businesses and create substantial challenges for the Taxation and Revenue Department. Fiscal analyses already show wide variability in potential outcomes, underscoring the uncertainty associated with this policy.

Finally, the provision raises potential constitutional issues under the Foreign Commerce Clause, as noted in *Kraft v. Iowa*, by treating companies differently based on foreign operations and risking discriminatory tax treatment.

For these reasons, we respectfully request a line-item veto of the amendment to NMSA 7-2A-2(C)(2)(c) contained on page 4, lines 11–14 of the Senate Finance Committee Substitute for SB 151.

Thank you for your consideration.

Sincerely,

Missi Currier
New Mexico Oil & Gas
Association

Ben Sheppard
Permian Basin Petroleum
Association

Jim Winchester
Independent Petroleum
Association of New Mexico