NEW MEXICO
BUSINESS COALITION

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RE: Oppose **HB 548 Oil and Gas Equalization Tax Act**

Mr./Madame Chair and Committee Members:

The New Mexico Business Coalition (NMBC) represents hundreds of businesses and thousands of New Mexicans. We focus on making New Mexico a better place to live and work, with abundant good-paying jobs to provide for our families.

NMBC opposes the "Oil and Gas Equalization Tax Act" (HB 548), set to take effect July 1, 2025, if passed. While the bill targets the oil and gas industry with an additional 0.85% privilege tax on the taxable value of severed products, its consequences extend far beyond this sector, threatening the economic stability of all New Mexico businesses and consumers. This overzealous taxation measure overlooks the interconnected nature of our state's economy and risks undermining the very services—schools, public safety, and infrastructure—that oil and gas producers already fund with billions of dollars annually.

New Mexico's oil and gas industry is a cornerstone of our fiscal health, contributing over $14 billion in state revenue in fiscal year 2024 alone, according to the New Mexico Taxation and Revenue Department. This revenue, nearly one-fourth of the state budget, directly supports education, law enforcement, healthcare, and road maintenance, services that benefit every resident and business. Imposing an additional tax of 0.85% on the taxable value of oil and liquid hydrocarbons adds a new layer of cost to an industry already navigating volatile markets and stringent regulations like the 2021 Methane Rules. These costs do not remain siloed within oil and gas. They cascade across the economy, driving up energy prices that every business and consumer must bear.

For small businesses, representing 99% of New Mexico's 43,000 enterprises, energy costs are a critical expense. A trucking company in Las Cruces, a farm in the Pecos Valley, or a restaurant in Albuquerque relies on affordable fuel and electricity to operate. When production costs rise due to this tax, energy prices follow, potentially increasing fuel costs by 10–30 cents per gallon based on analogous tax impacts in other states (e.g., California's LCFS). For a small business with a delivery fleet, this could mean an additional $500–$1,000 annually in fuel alone—money that could have hired a worker, upgraded equipment, or kept prices competitive. Retailers, manufacturers, and service providers will face similar pressures, passing these costs to consumers already stretched by inflation (NM CPI up 18% since 2019 according to the Bureau of Labor Statistics).

The ripple effect is undeniable. Higher energy costs raise the price of goods and services across the board. A family shopping for groceries could see an extra $50–$100 per year as freight costs climb, while seniors on fixed incomes, dependent on affordable utilities, might face $100–$200 more in annual expenses. These burdens hit hardest in rural communities like Farmington or Hobbs, where energy-intensive industries and long commutes amplify the impact. Far from "equalizing" anything, this tax risks deepening economic inequality by squeezing discretionary income for all New Mexicans.

Moreover, HB 548's administrative demands, monthly reporting, tax withholding, and advance payments add compliance costs that disproportionately burden smaller operators and businesses indirectly tied to energy. A mid-sized oil producer might face $5,000–$10,000 yearly in accounting and legal fees to navigate these rules, costs that could force layoffs or price hikes. For non-energy firms, the knock-on effect of reduced disposable income among consumers threatens demand, potentially costing jobs.

Proponents may argue this tax funds public goods, but oil and gas already provide $4 billion+ annually to education and $1 billion to public safety through existing severance, ad valorem, and conservation taxes. Piling on another layer risks over-taxation, deterring investment in a state where oil production drives GDP growth. If producers scale back, or worse, relocate to Texas, New Mexico loses not just jobs but the tax base sustaining our schools and roads.

I urge you to consider the broader business ecosystem and the consumers who bear these costs. The Oil and Gas Equalization Tax Act is not a solution, it's a burden that threatens economic vitality for all, not just one industry. Please reject HB 548 and focus on a balanced approach to funding public services without punishing the backbone of our economy.

Thank you for considering my comments,

Carla J. Sonntag
President and CEO