



# State of New Mexico

REC'D - SB OF 2026  
2025 MAR 14 9:44

Michelle Lujan Grisham  
*Governor*

March 11, 2026

## SENATE EXECUTIVE MESSAGE NO. 89

The Honorable Mimi Stewart, President Pro Tempore  
and Members of the New Mexico State Senate  
State Capitol Building  
Santa Fe, New Mexico 87501

President Pro Tempore Stewart and Members of the Senate:

Pursuant to my authority under Article IV, Section 22 of the New Mexico Constitution, I have signed SENATE FINANCE COMMITTEE SUBSTITUTE FOR SENATE TAX, BUSINESS AND TRANSPORTATION COMMITTEE SUBSTITUTE FOR SENATE BILL 151, as amended ("SB 151"), enacted by the Fifty-Seventh Legislature, Second Session, 2026.

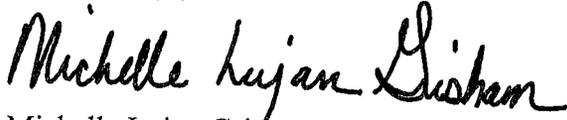
SB 151 advances several priorities important to New Mexico's long-term fiscal stability and economic well-being. Among its provisions, the bill strengthens our ability to recruit and retain physicians by establishing a meaningful tax credit designed to offset the cost of practicing medicine in our State. It also provides a targeted gross receipts tax deduction for construction materials and labor used in the development of affordable multifamily residential housing projects, an essential tool as we work to increase housing supply, reduce cost pressures on families, and support responsible development statewide. There are elements of this tax bill that I worry are unduly burdensome on some businesses. In particular, rejecting conformity with Internal Revenue Code §951A Net Controlled Foreign Corporation Tested Income (NCTI) creates the risk of substantial amounts of previously taxed foreign source income being included in the New Mexico corporate income tax base. The inclusion of this foreign source income in the New Mexico corporate income tax base creates significant potential for double taxation.

I am also concerned, however, that SB 151 contains an unusual provision: the one percent pay raise for state employees. To be clear, I support the pay increase for state employees—which is why I put it in my executive budget recommendation. Throughout my years in office, I have increased benefits for state employees at every turn, including the institution of the 80/20 health insurance split. But it is odd for an appropriation for pay increases to be contained in a tax bill. The more logical approach would have been to run a stand-alone bill containing the pay increases.

While I assume the Legislature did not want to create a log jam in the waning days of the 30-day session, rolling this provision into the tax bill created more confusion than necessary.

My office has received copious amounts of feedback regarding the concerns noted herein. Nevertheless, I am signing SB 151 because its core provisions advance critical state priorities, and because delaying the pay increase would only harm the public workforce we rely upon. I urge the Legislature, in future sessions, to restore the conventional structure for appropriation and tax bills to ensure clarity and accountability.

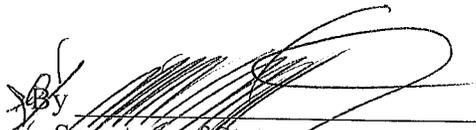
Respectfully yours,



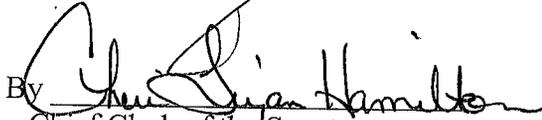
Michelle Lujan Grisham  
Governor

RECEIVED FROM THE OFFICE OF THE GOVERNOR

Time: 9:44 a.m. p.m.  
Date: 3/11 2026

By   
Secretary of State

Time: 10:01 a.m. p.m.  
Date: 3/11 2026

By   
Chief Clerk of the Senate