



New Mexico

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
31	22	37	41	2	16

New Mexico has a graduated state individual income tax with a top rate of 5.9 percent. Unusually, New Mexico’s corporate tax rate is also graduated, with rates ranging from 4.8 percent to 5.9 percent, and not indexed for inflation.

New Mexico also has a 4.875 percent tax on sales, with an average combined state and local rate of 7.62 percent. As a hybrid between an ordinary sales tax and a gross receipts tax, this tax does not apply to all intermediate transactions like a pure gross receipts tax but does apply to many more business inputs than are included in a typical sales tax, including manufacturing machinery and research and development (R&D) equipment. When this gross receipts-like tax applies to business-to-business transactions, it causes tax pyramiding throughout the supply chain, hampers investment, and negatively affects low-margin businesses.

The state’s corporate income tax also features a throwback rule, which exposes in-state businesses to additional tax when they sell into other states with which they do not have nexus, discouraging some businesses from locating operations in New Mexico. The state conforms to the federal treatment of capital investment under its corporate income tax, but with federal full expensing provisions currently phasing out, New Mexico has an opportunity to make its first-year expensing provisions permanent to avoid the erosion of this pro-investment provision.