STATE-TRIBAL COLLABORATION ACT

June 30, 2026, AGENCY REPORT

NEW MEXICO TAXATION & REVENUE DEPARTMENT

I. AGENCY OVERVIEW AND MISSION STATEMENT

The mission of the New Mexico Taxation and Revenue Department is to proudly serve New Mexico with fair and efficient tax administration, revenue distribution, and motor vehicle services. The Taxation and Revenue Department was created by the Taxation and Revenue Department Act (Chapter 9, Article 11 NMSA 1978) for the purpose of establishing a single, unified department to administer all laws and exercise all functions relating to taxation, revenue and vehicles charged to the department. The constituencies of the department include New Mexico's executive and legislative branches, tribal governments, counties and municipalities, and taxpayers and tax practitioners.

In FY 2026, the Department collected and distributed over $9.7 billion to the general fund alone. An additional $47.8 million was collected and distributed to tribes and pueblos with a Gross Receipts Tax Cooperative Agreement.

II. AGENCY-SPECIFIC STATUTES

The Taxation and Revenue Department administers several statutory provisions related to tribes, tribal entities and tribal members. Some of these provisions represent statutory recognition of tribal sovereignty and the limitation that the principle of tribal sovereignty places on the State of New Mexico's authority to impose and collect taxes. Other statutory provisions provide for exemptions or deductions from tax for taxpayers selling goods or providing services to tribes.

Additionally, several statutory provisions permit the Department to enter into cooperative agreements with tribes to provide for the cooperative administration and collection of taxes. Among these statutory provisions are the following:

Statutory Citation	Statutory Provision
NMSA 1978, § 7-1-14	Destination Sourcing
NMSA 1978, § 7-9-3.3	Nexus Requirements
NMSA 1978, § 7-1-66	Immunity of Property of Indian Nations from Liens and Levies
NMSA 1978, § 7-2-5.5	Exemption from Income Tax for Income Earned by Tribal Members on Tribal Lands
NMSA 1978, § 7-9-14B	Exemption from Compensating Tax for Property Used by Tribes
NMSA 1978, § 7-9-88.1	Credit on Gross Receipts Tax for Taxes Paid to Tribe

NMSA 1978, § 7-12-4A(2)	Exemption from Cigarette Tax for Sales to Tribe or Tribal Member for Use on Reservation or Pueblo
NMSA 1978, § 7-13-4C	Deduction from Gasoline Tax for Sales to Tribe for Use on Reservation or Pueblo
NMSA 1978, § 7-14-7	Tribe and Pueblo Car Excise Tax Credit
NMSA 1978, § 7-16A-10D	Deduction from Special Fuels Supplier Tax for Sales to Tribe for Use on Reservation or Pueblo
NMSA 1978, § 7-29C-1	Intergovernmental Tax Credit for Oil and Gas Taxes
NMSA 1978, § 7-29C-2	Intergovernmental Tax Credit for Coal Severance Tax for Taxes Imposed by Tribe
NMSA 1978, § 9-11-12.1	Tribal Cooperative Agreements for Joint Administration and Collection of Gross Receipts Tax
NMSA 1978, § 13-1-22	Native American Resident Business and Native American Resident Contractor Certificates
NMSA 1978, § 62-16B-7	Community Solar Act

III. TRIBAL COLLABORATION POLICY IMPLEMENTATION

In 2009, the Department adopted its Tribal Collaboration Policy pursuant to the requirements of the State-Tribal Collaboration Act. The Department's policy expresses the fundamental principles that guide the Department as it interacts with the sovereign tribal governments and individual tribal members and entities. The principles are designed to:

- Recognize and respect the sovereignty of tribes in New Mexico;
- Encourage positive government-to-government relations between the Department and tribal governments and entities;
- Develop means and processes to efficiently and effectively address tribal issues and concerns that relate to the Department's regulatory activities;
- Promote collaboration between the Department and tribal governments, entities and members during the development of policies or procedures and work towards the mutual resolution of tribal issues and concerns; and
- Encourage communication between the Department and tribal governments and entities using both formal and informal means.

The Department is committed to continued collaboration with New Mexico's tribes. Adoption of the Tribal Collaboration Policy emphasizes the importance of effective interactions and communications as a part of the Department's regulatory functions and duties. Collaboration is also enhanced through training. Two additional Department employee attended the State Personnel Office's "Building Cultural Equity with Native Nations" course mandated by the State-Tribal Collaboration Act in FY 2026. Since the adoption of its Tribal Collaboration Policy, the

Department participated in several activities in which the Department's commitment to collaboration was effectively demonstrated. These activities included the following:

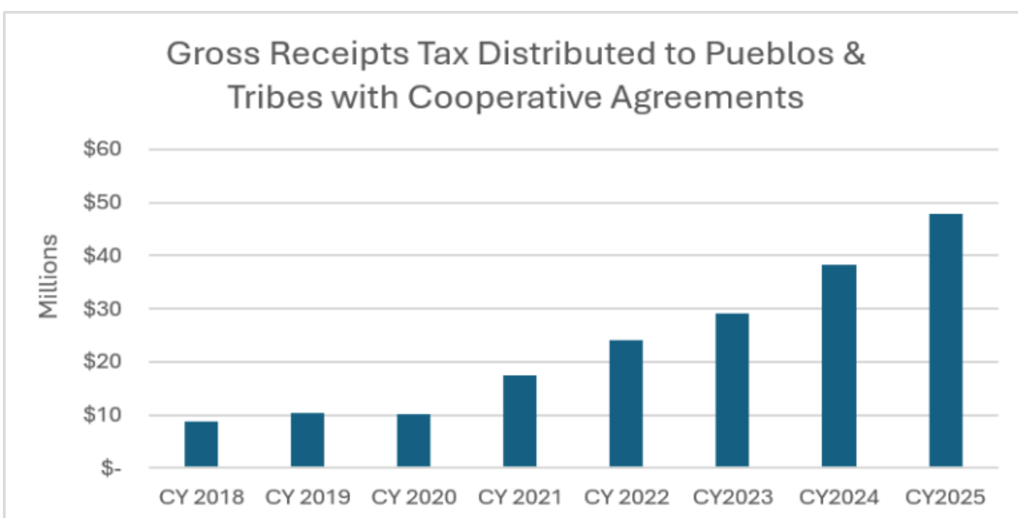
A. Proposed Legislation that Benefits Tribal Communities

In the 2026 legislative session, the Taxation & Revenue Department supported the introduction of HB 291, its agency tax code clean-up bill, by Rep. Derrick Lente. The bill proposed an extension of the Film Tax Credit to apply to transactions subject to tribal tax on tribal land as a means to extend the benefits of the film credit to business transactions not subject to state tax that occur on tribal land. Though the bill was ultimately passed into law, provisions extending the film tax credit to tribal land were removed by a House committee.

The enacted version of HB 291 does newly authorize Tax & Rev to enter cooperative revenue sharing agreements with the Navajo Nation.

B. Cooperative Agreements and Other Interactions

Gross Receipts Tax cooperative agreement revenue continues to benefit tribal governments. CY 2025 was another banner year with $47.8 million distributed, a 31% increase over CY 2024. Distributions have risen from $8.8 million in CY 2018, as displayed in the chart below. These distributions are an important revenue source and provide opportunity for economic development by eliminating double taxation.



Tax & Rev worked closely with tribal governments in FY 2026 on tribal tax rate changes. In one instance, a tribal government directed Tax & Rev to implement a tax rate increase to begin on January 1st, only to reverse that increase after finding that it violated an existing tribal covenant. The result was a tribal tax rate that was different than the published tax rate. A second tribal government requested to increase its tribal tax rate outside of the rate change windows established by Tax & Rev. Although Tax & Rev accommodated the request, it created costly administrative issues and confusion for taxpayers. To ensure future clarity, the legislature passed HB 291 at Tax

& Rev's suggestion to limit tribal rate changes to taking effect on July 1 absent emergency situations. This timeline is similar to the current law for municipalities and counties. The Department will promulgate regulations related to the timeline for tribal rate changes in early FY 2027.

Currently, the Department has gross receipts tax cooperative agreements with all the tribes and pueblos that we are statutorily authorized to reach an agreement with other than the Navajo Nation, the Mescalero Apache Tribe and San Felipe Pueblo. Discussions with two of the three tribal governments occurred in FY 2026. Secretary Schardin Clarke and the Department's tribal liaison met with the Office of the Navajo Tax Commission on March 18, 2026, to continue discussions regarding a potential gross receipts tax cooperative agreement.

In June 2026, MVD negotiated a payment of $17,000 to Zia Pueblo for the use of the Sun Zia symbol in imagery incorporated into security features that will be included in a redesign of the New Mexico driver's license and other documents, such as vehicle titles.

Lastly, the Motor Vehicle Division Director and Tribal Liaison met with a Chapter of the Navajo Nation on February 16, 2026, to continue discussions regarding the first ever partnership agreement with a tribally run MVD office near Hogback, New Mexico.

Discussions with all current tribal governments occur informally on a weekly basis through interactions with the Department's Tribal Liaison, the Local Government Liaison and a representative from the Audit & Compliance Division, depending upon the types of issues raised. Formal communication occurs through the Tribal Liaison's attendance at quarterly Pueblo Tax Administrator's Coalition (PTAC) meetings. New Mexico is the only example in the country where there is state participation in these tribal tax administrator meetings.

The Department assisted Santo Domingo Pueblo and PTAC in their advocacy against a federal memorandum, IGM-2026-02, that opined that a line item on any billing of tribal tax would not be an allowable expense. The federal memorandum was later rescinded due to the lobbying efforts of Santo Domingo Pueblo. Santo Domingo Pueblo and PTAC thanked the Department for their assistance.

The Fort Sill Apache are exploring a gas tax Agreement similar to the agreement signed with Santo Domingo Pueblo and the Pueblo of Nambe in December 2023. The Department continues to review reports issued by Santo Domingo Pueblo and the Pueblo of Nambe for compliance in CY 2025.

C. Technology and Training

The Department continues to offer training in the various areas of tax administration in the interactions with tribal government officials. Moreover, a number of technology advancements continue within GenTax, the Department's tax system of record, to improve the reports available to tribal tax officials and to more accurately display gross receipts tax GIS mapping as it relates to tribal taxing jurisdictions. The Department continues to place great efforts in being as favorable to tribal governments as possible and offering assistance in the interactions between the state, tribes and pueblos, and taxpayers that interact with both types of governmental tax structures.

IV. KEY NAMES AND CONTACT INFORMATION

Stephanie Schardin Clarke, Cabinet Secretary
Taxation and Revenue Department
1100 South St. Francis Drive
Joseph Montoya Building
Santa Fe, New Mexico 87504-0630
(505) 690-8919
StephanieS.Clarke@tax.nm.gov

John Monforte, Counsel, Tribal Liaison
Taxation and Revenue Department
1100 South St. Francis Drive
Joseph Montoya Building
Santa Fe, New Mexico 87504-0630
(505) 231-4777
John.monforte@tax.nm.gov

David Monteith, Local Government Liaison
Taxation and Revenue Department
1100 South St. Francis Drive
Joseph Montoya Building
Santa Fe, New Mexico 87504-0630
(505) 670-8391
David.Monteith@tax.nm.gov