

MEDIA FACT SHEET

FOUR STEPS TO ZERO

A PROPOSAL TO PHASE OUT NEW MEXICO'S TAX ON ELIGIBLE PERSONAL INCOME

Letting New Mexicans keep more of what they earn while
protecting our schools, healthcare, public safety and financial future.

FOUR CONDITIONAL STEPS.
FOUR YEARS IS THE GOAL.



STRONGER
FAMILIES



A MORE
COMPETITIVE
NEW MEXICO



FISCAL
RESPONSIBILITY
THAT LASTS



A BRIGHTER
FUTURE FOR
GENERATIONS

Four Steps to Zero

Media fact sheet

Gregg Hull for Governor · Version 0.5 RC2 · Prepared October 1, 2026

The proposal: Phase out New Mexico income tax on eligible personal income through expanding tax-free bands while keeping net business profits taxable. Four years is the goal, subject to legislative approval and fiscal, service and implementation requirements at every step.

Step	Single	Married filing jointly
One	\$25,000	\$50,000
Two	\$50,000	\$100,000
Three	\$100,000	\$200,000
Four	All eligible personal income	All eligible personal income

Married-separate filers use the single bands; heads of household and qualifying surviving spouses use the joint bands, with their applicable underlying schedules. Bands apply after relevant deductions and exemptions, not to gross salary. Taxpayers above a band retain its benefit. The amounts stay fixed through pauses, with legislative review after substantial delay.

Income and benefits

Qualifying wages, retirement distributions, reasonable documented compensation for an owner's work, and personal investment income receive relief. Operating-business profits, net rental profits, royalties and taxable business-sale gains remain taxable, subject to applicable expenses, exemptions, deductions and basis. Corporate income tax and gross receipts tax remain.

Refundable benefit formulas and funded delivery through TRD are preserved. Business payments, owner credits and continuing liability must be coordinated before the first affected step. At completion, ordinary business tax is calculated on residual business income alone.

Conditions before every step

- Legislative authority and operational readiness.
- Funded classrooms, student services, healthcare obligations, public safety, justice and benefits.
- At least 105% recurring-revenue coverage of recurring General Fund appropriations after all applicable tax changes.
- General Fund reserves of at least 25% of recurring appropriations, plus legal-availability, cash and downside review.
- Full annual funding, including nonrecurring commitments and required distributions.
- No replacement tax increases, reserve financing, speculative growth, unspecified savings or extraordinary permanent-fund withdrawals or increased distributions to finance relief. Approximately 2% spending growth is a planning target subordinate to funded service requirements. A pause delays a future reduction; it does not restore revenue already lost.

Household illustrations: tax still owed

Eligible taxable personal income	Current tax	Step One	Step Two	Step Three	Step Four
Single, \$40,000	\$1,471	\$671	\$0	\$0	\$0
Single, \$65,000	\$2,646	\$1,846	\$705	\$0	\$0
Joint, \$75,000	\$2,914	\$1,175	\$0	\$0	\$0
Joint, \$100,000	\$4,089	\$2,350	\$0	\$0	\$0
Joint, \$150,000	\$6,539	\$4,800	\$2,450	\$0	\$0
Joint, \$200,000	\$8,989	\$7,250	\$4,900	\$0	\$0

These illustrations assume a full-year New Mexico resident with only eligible nonbusiness taxable income after applicable deductions and exemptions. The amounts are not gross salaries. They use the published schedule for tax years beginning in 2025, before credits, allocation and special calculations. The table shows annual ordinary state tax still owed; savings equal current tax minus tax at the applicable step. Completion is conditional. Federal and other-state tax effects

and individual circumstances can change net savings. These examples do not establish statewide cost or an effective date. TRD, published PIT rate schedules, 2005-2025

Evidence and timing

The proposed bands and income-treatment principles are selected. A complete statewide cost, distribution of relief, funded service budget and affordable completion schedule have not been established for this design. Detailed statutory and administrative rules also require completion. No state agency has been represented as endorsing or certifying the proposal. Those findings are requirements before implementation, not results this publication claims to have achieved.

The August 26, 2026 CREG forecast is the official revenue baseline before the proposal's effects. Its use is not agency certification of the plan. No beneficiary percentage or fixed tax-year implementation schedule is claimed. CREG, August 26, 2026 revenue outlook and General Fund Financial Summary

Legislative alternative

If the full plan cannot secure passage, Hull would pursue separately costed legislation removing remaining state PIT on Social Security and qualifying military retirement, accounting for existing exemptions and meeting the same safeguards. Other retirement income remains within the broader phaseout.

Gregg Hull proposes Four Steps to Zero tax on eligible personal income

Proposal retains business-profit taxation and requires funded services before each step

Gregg Hull's Four Steps to Zero proposal would phase out New Mexico income tax on eligible personal income through expanding tax-free bands while keeping net business profits taxable.

Four years is the goal. Legislative approval and fiscal, service and operational requirements determine whether and when each step can take effect. The proposal does not establish a guaranteed start or completion date.

The single/joint bands would be \$25,000/\$50,000 at Step One, \$50,000/\$100,000 at Step Two and \$100,000/\$200,000 at Step Three. Step Four would remove the remaining tax on eligible personal income. Amounts apply after relevant deductions and exemptions, and people with income above a band retain its benefit.

Qualifying wages, salaries, retirement distributions, reasonable documented compensation for an owner's actual work, and personal investment income would receive relief. Operating-business profits, net rental profits, royalties and taxable business-sale gains would remain taxable under coordinated rules, with applicable expenses, deductions, exemptions and basis respected. Corporate income tax and gross receipts tax would remain.

Before each step, the proposal requires funding for classrooms, student services, healthcare obligations, public safety, justice, refundable benefits and implementation. It also requires recurring revenue after tax changes of at least 105% of recurring General Fund appropriations, reserves of at least 25% of recurring appropriations, and review of cash, other annual commitments and multiyear downturn risks.

Approximately 2% spending growth is a planning target subordinate to the cost of protected services. If a step cannot meet the requirements, it waits. Refundable benefit formulas and funded delivery through TRD would be preserved, and business-tax rules must be ready before the first affected step.

The proposal excludes replacement tax increases, reserve financing, speculative growth and unspecified savings as financing. It preserves lawful permanent-fund distributions and beneficiaries and excludes extraordinary withdrawals or increased distributions to fund the reductions.

The state's August 26, 2026 consensus revenue forecast supplies the baseline before the proposal's effects. A complete statewide cost, distribution of relief and affordable completion schedule have not been established for the revised design. Detailed statutory and administrative rules also require completion. No specific percentage of returns reaching zero by a specified year is claimed.

If the full plan cannot secure legislative passage, Hull would pursue separately costed legislation to remove remaining state PIT on Social Security benefits and qualifying military retirement pay, with the same fiscal and service protections.

Four Steps to Zero: Public Questions and Answers

Version 0.5 RC2 · Prepared October 1, 2026

What would change?

New Mexico would phase out state income tax on eligible personal income through expanding tax-free bands, while continuing to tax net business profits. Corporate income tax and gross receipts tax would remain.

What are the four steps?

Step	Single	Married filing jointly
One	\$25,000	\$50,000
Two	\$50,000	\$100,000
Three	\$100,000	\$200,000
Four	All eligible personal income	All eligible personal income

Married-separate filers use the single bands; heads of household and qualifying surviving spouses use the joint bands. Each status retains its applicable underlying rate schedule. Amounts apply after relevant deductions and exemptions, not to gross salary.

Do I lose the benefit when my income exceeds a band?

No. You keep the tax-free band on eligible personal income. Existing marginal rates continue above it, with tax attributable to the exempt band removed. There is no separate percentage rate cut. Business income has a continuing tax calculation.

Is zero tax guaranteed in four years?

Four years is the goal. The Legislature must approve the plan, and every step must meet its fiscal, service and implementation requirements. No affordable start or completion date has been established. A pause does not trigger automatic catch-up cuts.

Does every taxpayer eventually owe zero?

No. The destination is zero state tax on eligible personal income. Net business profits and the defined related income remain taxable. Annual tax can also change with income, filing status and credits. A person who owes no tax one year is not promised that result forever.

What income would receive relief?

Qualifying wages, salaries, retirement distributions, reasonable documented compensation for an owner's actual work, personal bank interest, portfolio dividends, and gains on stocks or mutual funds held as personal investments.

What would remain taxable?

Operating-business profits, net rental profits, royalties and taxable gains from selling a business or its assets, after applicable expenses, deductions, exemptions and basis. The proposal taxes the covered net amount, not gross sales or sale proceeds. Changing an entity or payment label cannot turn operating profit into exempt investment income.

How would small-business owners be treated?

Reasonable, documented compensation for actual work would share the owner's personal band with other eligible income. Residual profits would remain taxable. There is no automatic allowance, second band for each business or duplicate deduction for wages already accounted for. Detailed compensation and loss rules and the amount of revenue retained still require analysis.

Business income uses the lower graduated brackets first. At completion, ordinary business tax is calculated on residual business income alone. Allowable return-wide deductions apply once against positive business income first and then any remainder against personal income. Direct expenses follow their source. Entity payments and owner credits must be coordinated before the first affected step.

Would refundable benefits disappear?

The proposal preserves eligible benefit formulas and funded TRD delivery, including after eligible personal-income tax reaches zero if necessary. A return or claim process may remain. A separate delivery system would require its own authority, funding, testing and a reliable transition.

Aren't many lower-income taxpayers already paying no tax?

Some already have no ordinary tax; others have positive tax offset by credits. Those are different situations. With preserved refundable credits, a reduction in positive tax can increase an excess refund even for someone who already receives a refund. Public grouped data do not establish the current proposal's exact number of beneficiaries.

Would higher-income households receive larger cuts?

Larger eligible personal-income liabilities generally produce larger dollar reductions at completion. Higher-income taxpayers also receive the earlier bands. The plan does not claim otherwise. It preserves refundable benefits, retains business-profit taxation and makes funded services a condition of each step. A matched distributional analysis remains necessary.

What gets cut to hold spending growth at 2%?

There is no assumed list of unnamed cuts. Approximately 2% is a planning target. The actual funded cost of protected services takes priority. Any proposed saving must identify the program, change, recurring amount and service consequences. If the resulting budget cannot support the next step, that step waits.

How are schools and healthcare protected?

The model must cost and fund classroom instruction, student services, healthcare obligations, public safety, justice and other continuing commitments before finding capacity for tax relief. A flat budget alone is not proof of protection when costs or needs increase.

How would the state pay for it?

Each step would require sufficient recurring revenue after its cost and all earlier cuts, with funded services and benefits, reserves, cash and other annual commitments accounted for. The proposal excludes replacement tax increases, reserve financing, speculative growth, unspecified savings, and extraordinary permanent-fund withdrawals or increased distributions as financing. A completed statewide cost and affordable schedule have not yet been established.

Whose revenue numbers are used?

The official August 26, 2026 CREG forecast supplies the baseline before this proposal. Proposal effects must be shown separately. Later official forecasts must replace the baseline when available. Using state data is not state endorsement or certification. CREG, August 26, 2026 revenue outlook and General Fund Financial Summary

What happens if oil prices or revenue fall?

The required analysis must include adverse revenue and spending scenarios. A future step waits if it cannot meet the protections. Pausing does not restore revenue from earlier cuts, and after completion there is no step left to pause. A persistent-shortfall response must therefore be part of the completed design.

Does a large permanent fund make repeal affordable?

Not by itself. Assets, lawful annual distributions and recurring revenue are different measures. Protected beneficiaries and existing lawful distributions remain. Extraordinary withdrawals and increased distributions would not fund this phaseout.

Can the governor implement this alone?

No. Legislative passage is required. HB275's 2025 failure was a different proposal's legislative history; it neither enacts this plan nor proves legislative support for it. Official HB275 legislative record

What if legislators reject the broader plan?

Hull would pursue separately costed legislation removing remaining state tax on Social Security benefits and qualifying military retirement, accounting for existing exemptions and meeting the same safeguards. Other pensions and qualifying IRA and 401(k) withdrawals remain within the broader phaseout. Federal tax law would not change.

Does this cover only residents?

The legislation must provide legally appropriate treatment for residents, nonresidents, part-year residents and covered estates and trusts, including allocation and credit rules. It does not exclude people solely for living outside New Mexico, or create duplicate bands for every entity.

What analysis still needs to be completed?

The proposed bands and income-treatment principles are selected. A complete statewide cost, distribution of relief, funded service budget and affordable completion schedule have not been established for this design. Detailed statutory and administrative rules also require completion. No state agency has been represented as endorsing or certifying the proposal. Those findings are requirements before implementation, not results this publication claims to have achieved.