FREE REFERENCE

New Mexico business taxes, explained for 2026

Small businesses in New Mexico register with the state revenue agency for income tax withholding and sales tax, and with the New Mexico Department of Workforce Solutions for unemployment tax. New Mexico has income tax rates from 1.5% to 5.9%, a 4.88% state sales tax and a $34,800 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** Income tax rates from 1.5% to 5.9% for 2026
- **Sales tax.** 4.88% state rate, about 7.68% combined with local
- **Unemployment.** Employers pay New Mexico unemployment tax on the first $34,800 of each worker's 2026 wages

What taxes does a small business pay in New Mexico?

Most New Mexico businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in New Mexico?

Before your first payroll in New Mexico:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a New Mexico withholding account with the New Mexico revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the New Mexico Department of Workforce Solutions. For 2026, the tax applies to the first $34,800 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to New Mexico's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a New Mexico sales tax permit?

If you sell taxable goods or services in New Mexico, yes. Register with the New Mexico revenue agency before your first taxable sale. Out-of-state sellers need one once they pass New Mexico's economic nexus threshold.

SALES TAX IN NEW MEXICO, MIDYEAR 2026	RATE
State rate	4.88%
Average local rate	2.8%
Average combined rate	7.68%
Highest local rate	4.56%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does New Mexico tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay New Mexico income tax on it at the personal rates: income tax rates from 1.5% to 5.9%. New Mexico allows a standard deduction of $16,100 single and $32,200 joint and $4,000 for each dependent.

Estimate yours with the New Mexico income tax calculator.

Where are New Mexico's tax forms and refund status?

- New Mexico tax forms
- New Mexico revenue agency
- New Mexico refund status
- New Mexico Department of Workforce Solutions

Every state's links are on our state tax forms page.

Which calculators work for New Mexico?

- New Mexico paycheck calculator: take-home pay after every deduction
- New Mexico income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with New Mexico unemployment

Common questions

Do I need a sales tax permit in New Mexico?
Yes, if you sell taxable goods or services there. Register with the New Mexico revenue agency before your first taxable sale.

What is the New Mexico unemployment wage base for 2026?

$34,800. Employers pay New Mexico unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does New Mexico have a state income tax?

Yes. New Mexico has income tax rates from 1.5% to 5.9% for 2026.

Who runs payroll taxes in New Mexico?

The New Mexico revenue agency handles income tax withholding, and the New Mexico Department of Workforce Solutions handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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