

1 AN ACT

2 RELATING TO TAXATION; REPEALING THE WORKING FAMILIES TAX
3 CREDIT AND ENACTING THE EARNED INCOME TAX CREDIT; CREATING
4 THE FOSTER PARENT AND GUARDIAN INCOME TAX CREDIT; AMENDING A
5 GROSS RECEIPTS TAX DEDUCTION FOR HEALTH CARE PRACTITIONERS TO
6 INCLUDE COINSURANCE PAID BY A PATIENT; INCREASING LIQUOR
7 EXCISE TAX RATES; AMENDING THE DISTRIBUTIONS OF THE LIQUOR
8 EXCISE TAX; CREATING THE TRIBAL ALCOHOL HARMS ALLEVIATION
9 FUND; AMENDING, REPEALING AND ENACTING SECTIONS OF THE NMSA
10 1978.

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

13 SECTION 1. Section 7-2-18.15 NMSA 1978 (being Laws
14 2007, Chapter 45, Section 9, as amended) is repealed and a
15 new Section 7-2-18.15 NMSA 1978 is enacted to read:

16 "7-2-18.15. EARNED INCOME TAX CREDIT.--

17 A. The credit provided by this section may be
18 referred to as the "earned income tax credit". A taxpayer
19 who is an eligible individual may claim the earned income tax
20 credit against the taxpayer's tax liability imposed pursuant
21 to the Income Tax Act in an amount equal to the credit
22 percentage of so much of the taxpayer's earned income for the
23 taxable year as does not exceed the earned income amount;
24 provided that the amount of the credit shall not exceed the
25 excess of:

1 (1) the credit percentage of the earned
2 income amount; over

3 (2) the phaseout percentage of so much of
4 the adjusted gross income or, if greater, the earned income,
5 of the taxpayer for the taxable year as exceeds the phaseout
6 amount.

7 B. The credit percentage and the phaseout
8 percentage shall be determined as follows:

9 In the case of a taxpayer	The credit	The phaseout
10 with:	percentage is:	percentage is:
11 1 qualifying child	11.55%	4.55%
12 2 qualifying children	13.6%	6.15%
13 3 or more qualifying children	15.3%	6.15%
14 No qualifying children	2.6%	2.1%.

15 C. Except as provided in Subsections E and F of
16 this section, the earned income amount and the phaseout
17 amount shall be determined as follows:

18 In the case of a taxpayer	The earned	The phaseout
19 with:	income amount	amount is:
20	is:	
21 1 qualifying child	\$11,000	\$36,000
22 2 or more qualifying children	\$15,000	\$40,000
23 No qualifying children	\$8,000	\$25,000.

24 D. For married individuals filing joint returns,
25 the phaseout amount shall be increased by five thousand

1 dollars (\$5,000).

2 E. Except as provided in Subsection F of this
3 section, if the greater of an eligible individual's earned
4 income or adjusted gross income is less than the earned
5 income amount and the amount of credit is less than one
6 hundred dollars (\$100), the amount of the credit shall be one
7 hundred dollars (\$100).

8 F. For the 2026 taxable year and each subsequent
9 taxable year, the earned income amounts and phaseout amounts
10 shown in the table in Subsection C of this section, the
11 amount of credit provided in Subsection E of this section and
12 the phaseout amount provided in Subsection D of this section
13 shall be adjusted to account for inflation. The department
14 shall make the adjustment by multiplying each amount of
15 credit by a fraction, the numerator of which is the consumer
16 price index ending during the prior taxable year and the
17 denominator of which is the consumer price index ending in
18 taxable year 2025. The result of the multiplication shall be
19 rounded to the nearest ten dollars (\$10.00), except that if
20 the result would be an amount less than the corresponding
21 amount for the preceding taxable year, then no adjustment
22 shall be made.

23 G. The secretary shall reflect the provisions of
24 Subsections B and C of this section in tables that shall have
25 income brackets of not greater than fifty dollars (\$50.00)

1 each for:

2 (1) earned income between zero and the
3 amount of earned income at which the credit is phased out
4 under Subsection C of this section; and

5 (2) adjusted gross income between the dollar
6 amount at which the phaseout begins under Subsection C of
7 this section and the amount of adjusted gross income at which
8 the credit is phased out under that subsection.

9 H. That portion of credit that exceeds a
10 taxpayer's tax liability in the taxable year in which the
11 credit is claimed shall be refunded. A refund made to a
12 taxpayer pursuant to this section shall not be treated as
13 income.

14 I. A taxpayer allowed a tax credit pursuant to
15 this section shall report the amount of the credit to the
16 department in a manner required by the department.

17 J. The credit provided by this section shall be
18 included in the tax expenditure budget pursuant to Section
19 7-1-84 NMSA 1978, including the total annual aggregate cost
20 of the credit.

21 K. As used in this section:

22 (1) "earned income" means "earned income" as
23 defined in 26 U.S.C. 32(c)(2);

24 (2) "eligible individual" means a resident
25 who is:

1 (a) an "eligible individual" pursuant
2 to the federal earned income tax credit who is eligible to
3 claim the federal earned income tax credit in the taxable
4 year; or

5 (b) an individual who would have been
6 eligible for the federal earned income tax credit but for
7 the: 1) identification number requirement pursuant to 26
8 U.S.C. 32(m), as that section may be amended or renumbered;
9 or 2) the age requirement pursuant to 26 U.S.C.
10 32(c)(1)(A)(ii)(II), as that section may be amended or
11 renumbered; provided that the taxpayer is at least eighteen
12 years of age but has not reached the age of twenty-five;

13 (3) "federal earned income tax credit" means
14 the federal tax credit allowed pursuant to 26 U.S.C. 32, as
15 that section may be amended or renumbered; and

16 (4) "qualifying child" means "qualifying
17 child" as defined by Section 152(c) of the Internal Revenue
18 Code, as that section may be amended or renumbered, but
19 includes any minor child or stepchild of the taxpayer who
20 would be a qualifying child for federal income tax purposes
21 if the public assistance contributing to the support of the
22 child or stepchild was considered to have been contributed by
23 the taxpayer."

24 SECTION 2. A new section of the Income Tax Act is
25 enacted to read:

1 "CREDIT--FOSTER PARENT AND GUARDIAN INCOME TAX CREDIT.--

2 A. For taxable years ending prior to January 1,
3 2031, a taxpayer who is a resident, who is not a dependent of
4 another individual and who is a foster parent or a guardian
5 of a child may claim a credit against the taxpayer's tax
6 liability imposed pursuant to the Income Tax Act. The credit
7 authorized pursuant to this section may be referred to as the
8 "foster parent and guardian income tax credit".

9 B. The amount of the tax credit shall be in an
10 amount equal to two hundred fifty dollars (\$250) for each
11 month the taxpayer is a foster parent or guardian of a child
12 in the taxable year in which the tax credit is claimed;
13 provided that the taxpayer shall be a foster parent or
14 guardian for more than fifty percent of that month; and
15 provided further that the maximum amount of credit that may
16 be claimed by a taxpayer in a taxable year is three thousand
17 dollars (\$3,000).

18 C. A taxpayer shall apply for certification of
19 eligibility for the tax credit from the children, youth and
20 families department on forms and in the manner prescribed by
21 that department. Except as provided in Subsection E of this
22 section, only one tax credit shall be certified per taxpayer
23 per taxable year. If the children, youth and families
24 department determines that the taxpayer meets the
25 requirements of this section, that department shall issue a

1 dated certificate of eligibility to the taxpayer providing
2 the amount of tax credit for which the taxpayer is eligible
3 and the taxable years in which the credit may be claimed.
4 The children, youth and families department shall provide the
5 department with the certificates of eligibility issued
6 pursuant to this subsection in an electronic format at
7 regularly agreed-upon intervals.

8 D. That portion of the tax credit that exceeds a
9 taxpayer's income tax liability in the taxable year in which
10 the credit is claimed shall be refunded to the taxpayer.

11 E. Married individuals filing separate returns for
12 a taxable year for which they could have filed a joint return
13 may each claim only one-half of the tax credit that would
14 have been claimed on a joint return.

15 F. A taxpayer allowed to claim a tax credit
16 pursuant to this section shall claim the tax credit in a
17 manner required by the department. The credit shall be
18 claimed within one taxable year of the end of the year in
19 which the children, youth and families department certifies
20 the credit.

21 G. The credit provided by this section shall be
22 included in the tax expenditure budget pursuant to Section
23 7-1-84 NMSA 1978, including the annual aggregate cost of the
24 credit.

25 H. As used in this section:

1 (1) "child" means an unemancipated
2 individual who has not reached eighteen years of age;

3 (2) "foster parent" means a person licensed
4 or certified by the children, youth and families department
5 or a child placement agency to provide care for children in
6 the custody of the department or agency; and

7 (3) "guardian" means a person appointed as a
8 guardian by a court or an Indian tribal authority pursuant to
9 the Kinship Guardianship Act, but does not include a person
10 appointed as a guardian ad litem."

11 SECTION 3. Section 7-9-93 NMSA 1978 (being Laws 2004,
12 Chapter 116, Section 6, as amended) is amended to read:

13 "7-9-93. DEDUCTION--GROSS RECEIPTS--CERTAIN RECEIPTS
14 FOR SERVICES PROVIDED BY HEALTH CARE PRACTITIONER OR
15 ASSOCIATION OF HEALTH CARE PRACTITIONERS.--

16 A. Receipts of a health care practitioner or an
17 association of health care practitioners for commercial
18 contract services or medicare part C services paid by a
19 managed care organization or health care insurer may be
20 deducted from gross receipts if the services are within the
21 scope of practice of the health care practitioner providing
22 the service. Receipts from fee-for-service payments by a
23 health care insurer may not be deducted from gross receipts.

24 B. Prior to July 1, 2031, receipts from
25 coinsurance, a copayment or a deductible paid by an insured

1 or enrollee to a health care practitioner or an association
2 of health care practitioners for commercial contract services
3 pursuant to the terms of the insured's health insurance plan
4 or enrollee's managed care health plan may be deducted from
5 gross receipts if the services are within the scope of
6 practice of the health care practitioner providing the
7 service.

8 C. The deductions provided by this section shall
9 be applied only to gross receipts remaining after all other
10 allowable deductions available under the Gross Receipts and
11 Compensating Tax Act have been taken.

12 D. A taxpayer allowed a deduction pursuant to this
13 section shall report the amount of the deduction separately
14 in a manner required by the department.

15 E. The tax deductions provided by this section
16 shall be included in the tax expenditure budget pursuant to
17 Section 7-1-84 NMSA 1978, including the annual aggregate cost
18 of the deductions.

19 F. As used in this section:

20 (1) "association of health care
21 practitioners" means a corporation, unincorporated business
22 entity or other legal entity organized by, owned by or
23 employing one or more health care practitioners; provided
24 that the entity is not:

25 (a) an organization granted exemption

1 from the federal income tax by the United States commissioner
2 of internal revenue as organizations described in Section
3 501(c)(3) of the United States Internal Revenue Code of 1986,
4 as that section may be amended or renumbered; or

5 (b) a health maintenance organization
6 or a hospital, hospice, nursing home or an entity that is
7 solely an outpatient facility or intermediate care facility
8 licensed by the health care authority;

9 (2) "commercial contract services" means
10 health care services performed by a health care practitioner
11 pursuant to a contract with a managed care organization or
12 health care insurer other than those health care services
13 provided for medicare patients pursuant to Title 18 of the
14 federal Social Security Act or for medicaid patients pursuant
15 to Title 19 or Title 21 of the federal Social Security Act;

16 (3) "copayment" or "coinsurance" means an
17 amount that a health care insurer or managed care health plan
18 requires an insured or enrollee to pay upon incurring an
19 expense for receiving medical services;

20 (4) "deductible" means the amount of covered
21 charges an insured or enrollee is required to pay in a plan
22 year for commercial contract services before the insured's
23 health insurance plan or enrollee's managed care health plan
24 begins to pay for applicable covered charges;

25 (5) "fee-for-service" means payment for

1 health care services by a health care insurer for covered
2 charges under an indemnity insurance plan;

3 (6) "health care insurer" means a person
4 that:

5 (a) has a valid certificate of
6 authority in good standing pursuant to the New Mexico
7 Insurance Code to act as an insurer, health maintenance
8 organization or nonprofit health care plan or prepaid dental
9 plan; and

10 (b) contracts to reimburse licensed
11 health care practitioners for providing basic health services
12 to enrollees at negotiated fee rates;

13 (7) "health care practitioner" means:

14 (a) a chiropractic physician licensed
15 pursuant to the provisions of the Chiropractic Physician
16 Practice Act;

17 (b) a dentist or dental hygienist
18 licensed pursuant to the Dental Health Care Act;

19 (c) a doctor of oriental medicine
20 licensed pursuant to the provisions of the Acupuncture and
21 Oriental Medicine Practice Act;

22 (d) an optometrist licensed pursuant to
23 the provisions of the Optometry Act;

24 (e) an osteopathic physician licensed
25 pursuant to the provisions of the Medical Practice Act;

1 (f) a physical therapist licensed
2 pursuant to the provisions of the Physical Therapy Act;

3 (g) a physician or physician assistant
4 licensed pursuant to the provisions of the Medical Practice
5 Act;

6 (h) a podiatric physician licensed
7 pursuant to the provisions of the Podiatry Act;

8 (i) a psychologist licensed pursuant to
9 the provisions of the Professional Psychologist Act;

10 (j) a registered lay midwife registered
11 by the department of health;

12 (k) a registered nurse or licensed
13 practical nurse licensed pursuant to the provisions of the
14 Nursing Practice Act;

15 (l) a registered occupational therapist
16 licensed pursuant to the provisions of the Occupational
17 Therapy Act;

18 (m) a respiratory care practitioner
19 licensed pursuant to the provisions of the Respiratory Care
20 Act;

21 (n) a speech-language pathologist or
22 audiologist licensed pursuant to the Speech-Language
23 Pathology, Audiology and Hearing Aid Dispensing Practices
24 Act;

25 (o) a professional clinical mental

1 health counselor, marriage and family therapist or
2 professional art therapist licensed pursuant to the
3 provisions of the Counseling and Therapy Practice Act who has
4 obtained a master's degree or a doctorate;

5 (p) an independent social worker
6 licensed pursuant to the provisions of the Social Work
7 Practice Act; and

8 (q) a clinical laboratory that is
9 accredited pursuant to 42 U.S.C. Section 263a but that is not
10 a laboratory in a physician's office or in a hospital defined
11 pursuant to 42 U.S.C. Section 1395x;

12 (8) "managed care health plan" means a
13 health care plan offered by a managed care organization that
14 provides for the delivery of comprehensive basic health care
15 services and medically necessary services to individuals
16 enrolled in the plan other than those services provided to
17 medicare patients pursuant to Title 18 of the federal Social
18 Security Act or to medicaid patients pursuant to Title 19 or
19 Title 21 of the federal Social Security Act;

20 (9) "managed care organization" means a
21 person that provides for the delivery of comprehensive basic
22 health care services and medically necessary services to
23 individuals enrolled in a plan through its own employed
24 health care providers or by contracting with selected or
25 participating health care providers. "Managed care

1 organization" includes only those persons that provide
2 comprehensive basic health care services to enrollees on a
3 contract basis, including the following:

- 4 (a) health maintenance organizations;
- 5 (b) preferred provider organizations;
- 6 (c) individual practice associations;
- 7 (d) competitive medical plans;
- 8 (e) exclusive provider organizations;
- 9 (f) integrated delivery systems;
- 10 (g) independent physician-provider
11 organizations;
- 12 (h) physician hospital-provider
13 organizations; and
- 14 (i) managed care services
15 organizations; and

16 (10) "medicare part C services" means
17 services performed pursuant to a contract with a managed
18 health care provider for medicare patients pursuant to Title
19 18 of the federal Social Security Act."

20 SECTION 4. Section 7-17-5 NMSA 1978 (being Laws 1993,
21 Chapter 65, Section 8, as amended) is amended to read:

22 "7-17-5. IMPOSITION AND RATE OF LIQUOR EXCISE TAX.--

23 A. There is imposed on a wholesaler who sells
24 alcoholic beverages on which the tax imposed by this section
25 has not been paid an excise tax, to be referred to as the

1 "liquor excise tax", at the following rates on alcoholic
2 beverages sold:

3 (1) on spirituous liquors, except as
4 provided in Paragraph (9) of this subsection, one dollar
5 ninety-two cents (\$1.92) per liter;

6 (2) on beer, except as provided in Paragraph
7 (5) of this subsection, forty-nine cents (\$.49) per gallon;

8 (3) on wine, except as provided in
9 Paragraphs (4) and (6) of this subsection, fifty-four cents
10 (\$.54) per liter;

11 (4) on fortified wine, one dollar eighty
12 cents (\$1.80) per liter;

13 (5) on beer manufactured or produced by a
14 microbrewer and sold in this state; provided that proof is
15 furnished to the department that the beer was manufactured or
16 produced by a microbrewer, eight cents (\$.08) per gallon on
17 the first thirty thousand barrels sold, twenty-eight cents
18 (\$.28) per gallon for all barrels sold over thirty thousand
19 barrels but less than sixty thousand barrels and forty-one
20 cents (\$.41) per gallon for sixty thousand or more barrels
21 sold;

22 (6) on wine manufactured or produced by a
23 small winegrower and sold in this state; provided that proof
24 is furnished to the department that the wine was manufactured
25 or produced by a small winegrower:

1 (a) ten cents (\$.10) per liter on the
2 first eighty thousand liters sold;

3 (b) twenty cents (\$.20) per liter on
4 each liter sold over eighty thousand liters but not over nine
5 hundred fifty thousand liters; and

6 (c) thirty cents (\$.30) per liter on
7 each liter sold over nine hundred fifty thousand liters but
8 not over one million five hundred thousand liters;

9 (7) on cider, except as provided in
10 Paragraph (8) of this subsection, forty-nine cents (\$.49) per
11 gallon;

12 (8) on cider manufactured or produced by a
13 small winegrower and sold in this state; provided that proof
14 is furnished to the department that the cider was
15 manufactured or produced by a small winegrower, eight cents
16 (\$.08) per gallon on the first thirty thousand barrels sold,
17 twenty-eight cents (\$.28) per gallon for all barrels sold
18 over thirty thousand barrels but less than sixty thousand
19 barrels and forty-one cents (\$.41) per gallon for sixty
20 thousand or more barrels sold; and

21 (9) on spirituous liquors manufactured or
22 produced by a craft distiller licensed pursuant to Section
23 60-6A-6.1 NMSA 1978; provided that proof is provided to the
24 department that the spirituous liquors were manufactured or
25 produced by a craft distiller, for products up to ten percent

1 alcohol by volume, eight cents (\$.08) per liter for the first
2 two hundred fifty thousand liters sold and twenty-eight cents
3 (\$.28) per liter for the next two hundred fifty thousand
4 liters sold and for products over ten percent alcohol by
5 volume, thirty-two cents (\$.32) per liter on the first one
6 hundred seventy-five thousand liters sold and sixty-five
7 cents (\$.65) per liter on the next two hundred thousand
8 liters sold.

9 B. The volume of wine transferred from one
10 winegrower to another winegrower for processing, bottling or
11 storage and subsequent return to the transferor shall be
12 excluded pursuant to Section 7-17-6 NMSA 1978 from the
13 taxable volume of wine of the transferee. Wine transferred
14 from an initial winegrower to a second winegrower remains a
15 tax liability of the transferor; provided that if the wine is
16 transferred to the transferee for the transferee's use or for
17 resale, the transferee then assumes the liability for the tax
18 due pursuant to this section.

19 C. A transfer of wine from a winegrower to a
20 wholesaler for distribution of the wine transfers the
21 liability for payment of the liquor excise tax to the
22 wholesaler upon the sale of the wine by the wholesaler."

23 SECTION 5. Section 7-1-6.40 NMSA 1978 (being Laws 1997,
24 Chapter 182, Section 1, as amended) is amended to read:

25 "7-1-6.40. DISTRIBUTION OF LIQUOR EXCISE TAX--LOCAL DWI

1 GRANT FUND--CERTAIN MUNICIPALITIES--DRUG COURT FUND--TRIBAL
2 ALCOHOL HARMS ALLEVIATION FUND.--

3 A. A distribution pursuant to Section 7-1-6.1 NMSA
4 1978 in an amount equal to thirty-nine percent of the net
5 receipts attributable to the liquor excise tax shall be made
6 to the local DWI grant fund.

7 B. A distribution pursuant to Section 7-1-6.1 NMSA
8 1978 in an amount equal to five percent of the net receipts
9 attributable to the liquor excise tax shall be made to the
10 drug court fund.

11 C. A distribution pursuant to Section 7-1-6.1 NMSA
12 1978 in an amount equal to twelve and one-half percent of the
13 net receipts attributable to the liquor excise tax shall be
14 made to the tribal alcohol harms alleviation fund."

15 SECTION 6. TRIBAL ALCOHOL HARMS ALLEVIATION FUND.--The
16 "tribal alcohol harms alleviation fund" is created as a
17 nonreverting fund in the state treasury. The fund consists
18 of appropriations, distributions, gifts, grants, donations
19 and bequests made to the fund and income from investment of
20 the fund. The department of finance and administration shall
21 administer the fund, and money in the fund is subject to
22 appropriation by the legislature for alcohol harms
23 prevention, treatment and recovery services to individuals on
24 lands of Indian nations, tribes and pueblos, and to make
25 grants to Indian nations, tribes and pueblos to provide those

1 services to those individuals. Money in the fund shall be
2 expended by warrant of the secretary of finance and
3 administration pursuant to vouchers signed by the secretary
4 or the secretary's authorized representative.

5 SECTION 7. DELAYED REPEAL.--Section 2 of this act is
6 repealed effective January 1, 2031.

7 SECTION 8. APPLICABILITY.--The provisions of Sections 1
8 and 2 of this act apply to taxable years beginning on or
9 after January 1, 2026.

10 SECTION 9. EFFECTIVE DATE.--

11 A. The effective date of the provisions of
12 Sections 1 and 2 of this act is January 1, 2026.

13 B. The effective date of the provisions of Section
14 3 of this act is July 1, 2026.

15 C. The effective date of the provisions of
16 Sections 4 through 6 of this act is July 1, 2025.

17
18
19
20
21
22
23
24
25