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HOUSE BILL 9

44TH LEGISLATURE - STATE OF NEW MEXICO - 2ND SPECIAL SESSION, 2000

INTRODUCED BY

Joe Thompson

AN ACT

RELATING TO TAXATION; REDUCING INCOME TAX RATES.

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

Section 1. Section 7-2-2 NMSA 1978 (being Laws 1986, Chapter 20, Section 26, as amended) is amended to read:

"7-2-2. DEFINITIONS.--For the purpose of the Income Tax Act and unless the context requires otherwise:

A. "adjusted gross income" means adjusted gross income as defined in Section 62 of the Internal Revenue Code, as that section may be amended or renumbered;

B. "base income":

(1) means, for estates and trusts, that part of the estate's or trust's income defined as taxable income and upon which the federal income tax is calculated in the Internal Revenue Code for income tax purposes plus, for taxable years beginning on or after January 1, 1991, the amount of the net operating loss deduction allowed by Section

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1 172(a) of the Internal Revenue Code, as that section may be
2 amended or renumbered, and taken by the taxpayer for that
3 year;

4 (2) means, for taxpayers other than estates
5 or trusts, that part of the taxpayer's income defined as
6 adjusted gross income plus, for taxable years beginning on or
7 after January 1, 1991, the amount of the net operating loss
8 deduction allowed by Section 172(a) of the Internal Revenue
9 Code, as that section may be amended or renumbered, and taken
10 by the taxpayer for that year; and

11 (3) includes, for all taxpayers, any other
12 income of the taxpayer not included in adjusted gross income
13 but upon which a federal tax is calculated pursuant to the
14 Internal Revenue Code for income tax purposes, except amounts
15 for which a calculation of tax is made pursuant to Section 55
16 of the Internal Revenue Code, as that section may be amended
17 or renumbered; "base income" also includes interest received
18 on a state or local bond;

19 C. "compensation" means wages, salaries,
20 commissions and any other form of remuneration paid to
21 employees for personal services;

22 D. "department" means the taxation and revenue
23 department, the secretary of taxation and revenue or any
24 employee of the department exercising authority lawfully
25 delegated to that employee by the secretary;

E. "fiduciary" means a guardian, trustee,
executor, administrator, committee, conservator, receiver,

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1 individual or corporation acting in any fiduciary capacity;

2 F. "filing status" means "married filing joint
3 returns", "married filing separate returns", "head of
4 household", "surviving spouse" and "single", as those terms
5 are generally defined for federal tax purposes;

6 G. "fiscal year" means any accounting period of
7 twelve months ending on the last day of any month other than
8 December;

9 H. "head of household" means "head of household"
10 as generally defined for federal income tax purposes;

11 I. "individual" means a natural person, an estate,
12 a trust or a fiduciary acting for a natural person, trust or
13 estate;

14 J. "Internal Revenue Code" means the United States
15 Internal Revenue Code of 1986, as amended;

16 K. "lump-sum amount" means an amount that, for the
17 purpose of determining liability for federal income tax, was
18 not included in adjusted gross income but upon which the
19 five-year-averaging or the ten-year-averaging method of tax
20 computation provided in Section 402 of the Internal Revenue
21 Code, as that section may be amended or renumbered, was
22 applied;

23 L. "modified gross income" means all income of the
24 taxpayer and, if any, the taxpayer's spouse and dependents,
25 undiminished by losses and from whatever source derived,
including:

(1) compensation;

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- 1 (2) net profit derived from business;
- 2 (3) gains derived from dealings in property;
- 3 (4) interest;
- 4 (5) net rents;
- 5 (6) royalties;
- 6 (7) dividends;
- 7 (8) alimony and separate maintenance
- 8 payments;
- 9 (9) annuities;
- 10 (10) income from life insurance and
- 11 endowment contracts;
- 12 (11) pensions;
- 13 (12) discharge of indebtedness;
- 14 (13) distributive share of partnership
- 15 income;
- 16 (14) income in respect of a decedent;
- 17 (15) income from an interest in an estate or
- 18 trust;
- 19 (16) social security benefits;
- 20 (17) unemployment compensation benefits;
- 21 (18) workers' compensation benefits;
- 22 (19) public assistance and welfare benefits;
- 23 (20) cost-of-living allowances; and
- 24 (21) gifts;
- 25

M. "modified gross income" does not include:

- (1) payments for hospital, dental, medical or drug expenses whether made to or on behalf of the

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1 taxpayer;

2 (2) the value of room and board provided by
3 federal, state or local governments or by private individuals
4 or agencies based upon financial need and not as a form of
5 compensation;

6 (3) payments made pursuant to a federal,
7 state or local government program directly or indirectly to a
8 third party on behalf of the taxpayer when identified to a
9 particular use or invoice by the payer; or

10 (4) payments made pursuant to Sections
11 7-2-14, [~~7-2-14.1~~] 7-2-18, 7-2-18.1 and 7-3-9 NMSA 1978;

12 N. "net income" means, for estates and trusts,
13 base income adjusted to exclude amounts that the state is
14 prohibited from taxing because of the laws or constitution of
15 this state or the United States and means, for taxpayers
16 other than estates or trusts, base income adjusted to
17 exclude:

18 (1) an amount equal to the standard
19 deduction allowed the taxpayer for the taxpayer's taxable
20 year by Section 63 of the Internal Revenue Code, as that
21 section may be amended or renumbered;

22 (2) an amount equal to the itemized
23 deductions, as defined in Section 63 of the Internal Revenue
24 Code, as that section may be amended or renumbered, allowed
25 the taxpayer for the taxpayer's taxable year less the amount
excluded pursuant to Paragraph (1) of this subsection;

(3) an amount equal to the product of the

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1 exemption amount allowed for the taxpayer's taxable year by
2 Section 151 of the Internal Revenue Code, as that section may
3 be amended or renumbered, multiplied by the number of
4 personal exemptions allowed for federal income tax purposes;

5 (4) income from obligations of the United
6 States of America less expenses incurred to earn that income;

7 (5) other amounts that the state is
8 prohibited from taxing because of the laws or constitution of
9 this state or the United States;

10 (6) for taxable years that began prior to
11 January 1, 1991, an amount equal to the sum of:

12 (a) net operating loss carryback
13 deductions to that year from taxable years beginning prior to
14 January 1, 1991 claimed and allowed, as provided by the
15 Internal Revenue Code; and

16 (b) net operating loss carryover
17 deductions to that year claimed and allowed; and

18 (7) for taxable years beginning on or after
19 January 1, 1991, an amount equal to the sum of any net
20 operating loss carryover deductions to that year claimed and
21 allowed, provided that the amount of any net operating loss
22 carryover from a taxable year beginning on or after January
23 1, 1991 may be excluded only as follows:

24 (a) in the case of a timely filed
25 return, in the taxable year immediately following the taxable
year for which the return is filed; or

(b) in the case of amended returns or

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1 original returns not timely filed, in the first taxable year
2 beginning after the date on which the return or amended
3 return establishing the net operating loss is filed; and

4 (c) in either case, if the net
5 operating loss carryover exceeds the amount of net income
6 exclusive of the net operating loss carryover for the taxable
7 year to which the exclusion first applies, in the next four
8 succeeding taxable years in turn until the net operating loss
9 carryover is exhausted; in no event shall a net operating
10 loss carryover be excluded in any taxable year after the
11 fourth taxable year beginning after the taxable year to which
12 the exclusion first applies;

13 O. "net operating loss" means any net operating
14 loss, as defined by Section 172(c) of the Internal Revenue
15 Code, as that section may be amended or renumbered, for a
16 taxable year as further increased by the income, if any, from
17 obligations of the United States for that year less related
18 expenses;

19 P. "net operating loss carryover" means the
20 amount, or any portion of the amount, of a net operating loss
21 for any taxable year that, pursuant to Paragraph (6) or (7)
22 of Subsection N of this section, may be excluded from base
23 income;

24 Q. "nonresident" means every individual not a
25 resident of this state;

R. "person" means any individual, estate, trust,
receiver, cooperative association, club, corporation,

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1 company, firm, partnership, limited liability company, joint
2 venture, syndicate or other association; "person" also means,
3 to the extent permitted by law, any federal, state or other
4 governmental unit or subdivision or agency, department or
5 instrumentality thereof;

6 S. "resident" means an individual who is domiciled
7 in this state during any part of the taxable year; but any
8 individual who, on or before the last day of the taxable
9 year, changed his place of abode to a place without this
10 state with the bona fide intention of continuing actually to
11 abide permanently without this state is not a resident for
12 the purposes of the Income Tax Act;

13 T. "secretary" means the secretary of taxation and
14 revenue or the secretary's delegate;

15 U. "state" means any state of the United States,
16 the District of Columbia, the commonwealth of Puerto Rico,
17 any territory or possession of the United States or any
18 political subdivision of a foreign country;

19 V. "state or local bond" means a bond issued by a
20 state other than New Mexico or by a local government other
21 than one of New Mexico's political subdivisions, the interest
22 from which is excluded from income for federal income tax
23 purposes under Section 103 of the Internal Revenue Code, as
24 that section may be amended or renumbered;

25 W. "surviving spouse" means "surviving spouse" as
generally defined for federal income tax purposes;

X. "taxable income" means net income less any

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1 lump-sum amount;

2 Y. "taxable year" means the calendar year or
3 fiscal year upon the basis of which the net income is
4 computed under the Income Tax Act and includes, in the case
5 of the return made for a fractional part of a year under the
6 provisions of the Income Tax Act, the period for which the
7 return is made; ~~and~~

8 Z. "taxpayer" means any individual subject to the
9 tax imposed by the Income Tax Act; and

10 AA. "zero bracket amount" means the maximum amount
11 of taxable income in the first bracket of the tax rate table
12 for a filing status, for which bracket the amount of tax due
13 is zero."

14 Section 2. Section 7-2-7 NMSA 1978 (being Laws 1994,
15 Chapter 5, Section 20, as amended) is amended to read:

16 "7-2-7. INDIVIDUAL INCOME TAX RATES.--The tax imposed by
17 Section 7-2-3 NMSA 1978 shall be at the following rates for
18 any taxable year beginning ~~[on or after January 1, 1998]~~ in
19 2000:

20 A. For married individuals filing separate returns:

21 If the taxable income is:	The tax shall be:
22 [Not over \$4,000	1.7% of taxable income
23 Over \$ 4,000 but not over \$ 8,000	\$ 68.00 plus 3.2% of
	excess over \$ 4,000
24 Over \$ 8,000 but not over \$ 12,000	\$ 196 plus 4.7% of
	excess over \$ 8,000
25 Over \$ 12,000 but not over \$ 20,000	\$ 384 plus 6.0% of

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1 ~~excess over \$ 12,000~~
2 ~~Over \$ 20,000 but not over \$ 32,000 \$ 864 plus 7.1% of~~
3 ~~excess over \$ 20,000~~
4 ~~Over \$ 32,000 but not over \$ 50,000 \$ 1,716 plus 7.9% of~~
5 ~~excess over \$ 32,000~~
6 ~~Over \$ 50,000 \$ 3,138 plus 8.2% of~~
7 ~~excess over \$ 50,000.]~~
8 Not over \$1,100 \$ 0
9 Over \$1,100 but not over \$4,000 2.0% of excess over
10 \$1,100
11 Over \$4,000 but not over \$8,000 \$ 58.00 plus 3.2% of
12 excess over \$4,000
13 Over \$8,000 but not over \$12,000 \$186 plus 4.7% of
14 excess over \$8,000
15 Over \$12,000 but not over \$20,000 \$ 374 plus 6.0% of
16 excess over \$12,000
17 Over \$20,000 but not over \$32,000 \$ 854 plus 7.1% of
18 excess over \$20,000
19 Over \$32,000 \$1,706 plus 7.9% of
20 excess over \$32,000.

21 B. For surviving spouses and married individuals
22 filing joint returns:

23 If the taxable income is: The tax shall be:
24 [Not over \$8,000 1.7% of taxable income
25 ~~Over \$ 8,000 but not over \$ 16,000 \$ 136 plus 3.2% of~~
~~excess over \$ 8,000~~
~~Over \$ 16,000 but not over \$ 24,000 \$ 392 plus 4.7% of~~

underscored material = new
~~[bracketed material] = delete~~

1 ~~excess over \$ 16,000~~
2 ~~Over \$ 24,000 but not over \$ 40,000 \$ 768 plus 6.0% of~~
3 ~~excess over \$ 24,000~~
4 ~~Over \$ 40,000 but not over \$ 64,000 \$ 1,728 plus 7.1% of~~
5 ~~excess over \$ 40,000~~
6 ~~Over \$ 64,000 but not over \$100,000 \$ 3,432 plus 7.9% of~~
7 ~~excess over \$ 64,000~~
8 ~~Over \$100,000~~ ~~\$ 6,276 plus 8.2% of~~
9 ~~excess over \$100,000.]~~
10 Not over \$2,200 \$ 0
11 Over \$2,200 but not over \$8,000 2.0% of excess over
12 \$2,200
13 Over \$8,000 but not over \$16,000 \$ 116 plus 3.2% of
14 excess over \$8,000
15 Over \$16,000 but not over \$24,000 \$ 372 plus 4.7% of
16 excess over \$16,000
17 Over \$24,000 but not over \$40,000 \$ 748 plus 6.0% of
18 excess over \$24,000
19 Over \$40,000 but not over \$64,000 \$1,708 plus 7.1% of
20 excess over \$40,000
21 Over \$64,000 \$3,412 plus 7.9% of
22 excess over \$64,000.

23 C. For single individuals and for estates and
24 trusts:

25 If the taxable income is: The tax shall be:
~~[Not over \$5,500 1.7% of taxable income~~
~~Over \$ 5,500 but not over \$ 11,000 \$ 93.50 plus 3.2% of~~

underscored material = new
[bracketed material] = delete

1	excess over \$ 5,500
2	Over \$ 11,000 but not over \$ 16,000 \$ 269.50 plus 4.7% of
3	excess over \$ 11,000
4	Over \$ 16,000 but not over \$ 26,000 \$ 504.50 plus 6.0% of
5	excess over \$ 16,000
6	Over \$ 26,000 but not over \$ 42,000 \$1,104.50 plus 7.1% of
7	excess over \$ 26,000
8	Over \$ 42,000 but not over \$ 65,000 \$2,240.50 plus 7.9% of
9	excess over \$ 42,000
10	Over \$ 65,000 \$4,057.50 plus 8.2% of
11	excess over \$ 65,000.]
12	<u>Not over \$1,100</u> <u>\$ 0</u>
13	<u>Over \$1,100 but not over \$5,500</u> <u>2.0% of excess over</u>
14	<u>\$1,100</u>
15	<u>Over \$5,500 but not over \$11,000</u> <u>\$ 88.00 plus 3.2% of</u>
16	<u>excess over \$5,500</u>
17	<u>Over \$11,000 but not over \$16,000</u> <u>\$ 264 plus 4.7% of</u>
18	<u>excess over \$11,000</u>
19	<u>Over \$16,000 but not over \$26,000</u> <u>\$ 499 plus 6.0% of</u>
20	<u>excess over \$16,000</u>
21	<u>Over \$26,000 but not over \$42,000</u> <u>\$1,099 plus 7.1% of</u>
22	<u>excess over \$26,000</u>
23	<u>Over \$42,000</u> <u>\$2,235 plus 7.9% of</u>
24	<u>excess over \$42,000.</u>
25	

D. For heads of household filing returns:

If the taxable income is: The tax shall be:

~~[Not over \$7,000 1.7% of taxable income~~

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~~[bracketed material] = delete~~

1 ~~Over \$ 7,000 but not over \$ 14,000 \$ 119 plus 3.2% of~~
2 ~~excess over \$ 7,000~~
3 ~~Over \$ 14,000 but not over \$ 20,000 \$ 343 plus 4.7% of~~
4 ~~excess over \$ 14,000~~
5 ~~Over \$ 20,000 but not over \$ 33,000 \$ 625 plus 6.0% of~~
6 ~~excess over \$ 20,000~~
7 ~~Over \$ 33,000 but not over \$ 53,000 \$1,405 plus 7.1% of~~
8 ~~excess over \$ 33,000~~
9 ~~Over \$ 53,000 but not over \$ 83,000 \$2,825 plus 7.9% of~~
10 ~~excess over \$ 53,000~~
11 ~~Over \$ 83,000 \$5,195 plus 8.2% of~~
12 ~~excess over \$ 83,000.]~~
13 Not over \$1,500 \$ 0
14 Over \$1,500 but not over \$7,000 2.0% of excess over
15 \$1,500
16 Over \$7,000 but not over \$14,000 \$ 110 plus 3.2% of
17 excess over \$7,000
18 Over \$14,000 but not over \$20,000 \$ 334 plus 4.7% of
19 excess over \$14,000
20 Over \$20,000 but not over \$33,000 \$ 616 plus 6.0% of
21 excess over \$20,000
22 Over \$33,000 but not over \$53,000 \$1,396 plus 7.1% of
23 excess over \$33,000
24 Over \$53,000 \$2,816 plus 7.9% of
25 excess over \$53,000.

E. The tax on the sum of any lump-sum amounts included in net income is an amount equal to five

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underscoring material = new
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1 multiplied by the difference between:

2 (1) the amount of tax due on the
3 taxpayer's taxable income; and

4 (2) the amount of tax that would be due on
5 an amount equal to the taxpayer's taxable income and twenty
6 percent of the taxpayer's lump-sum amounts included in net
7 income."

8 Section 3. Section 7-2-7 NMSA 1978 (being Laws 1994,
9 Chapter 5, Section 20, as amended by Section 2 of this act
10 if it becomes law) is repealed and a new Section 7-2-7 NMSA
11 1978 is enacted to read:

12 "7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES.--
13 The tax imposed by Section 7-2-3 NMSA 1978 shall be at the
14 following rates for any taxable year beginning in 2001:

15 A. For married individuals filing separate
16 returns:

17 If the taxable income is:	The tax shall be:
18 Not over \$1,300	\$ 0
19 Over \$1,300 but not over \$4,000	2.0% of excess
20 over	
21	\$1,300
22 Over \$4,000 but not over \$8,000	\$ 54.00 plus 3.2%
23 of	
24	excess over \$4,000
25 Over \$8,000 but not over \$12,000	\$ 182 plus 4.7% of
	excess over \$8,000
Over \$12,000 but not over \$20,000	\$ 370 plus 6.0% of

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1 excess over \$12,000
2 Over \$20,000 but not over \$50,000 \$ 850 plus 7.1% of
3 excess over \$20,000
4 Over \$50,000 \$2,980 plus 7.9% of
5 excess over \$50,000.

6 B. For surviving spouses and married individuals
7 filing joint returns:

8	If the taxable income is:	The tax shall be:
9	Not over \$2,600	\$ 0
10	Over \$2,600 but not over \$8,000	2.0% of excess
11	over	\$2,600
12	Over \$8,000 but not over \$16,000	\$108 plus 3.2% of
13		excess over \$8,000
14	Over \$16,000 but not over \$24,000	\$ 364 plus 4.7% of
15		excess over \$16,000
16	Over \$24,000 but not over \$40,000	\$ 740 plus 6.0% of
17		excess over \$24,000
18	Over \$40,000 but not over \$100,000	\$1,700 plus 7.1% of
19		excess over \$40,000
20	Over \$100,000	\$5,960 plus 7.9% of
21		excess over \$100,000.

22 C. For single individuals and for estates and
23 trusts:

24	If the taxable income is:	The tax shall be:
25	Not over \$1,400	\$ 0
	Over \$1,400 but not over \$5,500	2.0% of excess
	over	\$1,400

underscoring material = new
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1 Over \$5,500 but not over \$11,000 \$ 82.00 plus 3.2% of
2 excess over \$5,500
3 Over \$11,000 but not over \$16,000 \$ 258 plus 4.7% of
4 excess over \$11,000
5 Over \$16,000 but not over \$26,000 \$ 493 plus 6.0% of
6 excess over \$16,000
7 Over \$26,000 but not over \$65,000 \$1,093 plus 7.1% of
8 excess over \$26,000
9 Over \$65,000 \$3,862 plus 7.9% of
10 excess over \$65,000.

11 D. For heads of household filing returns:

12 If the taxable income is: The tax shall be:

13 Not over \$3,000 \$ 0
14 Over \$3,000 but not over \$7,000 2.0% of excess
15 over \$3,000
16 Over \$7,000 but not over \$14,000 \$ 80.00 plus 3.2% of
17 excess over \$7,000
18 Over \$14,000 but not over \$20,000 \$ 304 plus 4.7% of
19 excess over \$14,000
20 Over \$20,000 but not over \$33,000 \$ 586 plus 6.0% of
21 excess over \$20,000
22 Over \$33,000 but not over \$82,000 \$1,366 plus 7.1% of
23 excess over \$33,000
24 Over \$82,000 but not over \$124,000 \$4,845 plus 7.9% of
25 excess over \$82,000.

E. The tax on the sum of any lump-sum amounts
included in net income is an amount equal to five

underscoring material = new
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1 multiplied by the difference between:

2 (1) the amount of tax due on the
3 taxpayer's taxable income; and

4 (2) the amount of tax that would be due on
5 an amount equal to the taxpayer's taxable income and twenty
6 percent of the taxpayer's lump-sum amounts included in net
7 income."

8 Section 4. Section 7-2-7 NMSA 1978 (being Section 3
9 of this act if it becomes law) is repealed and a new
10 Section 7-2-7 NMSA 1978 is enacted to read:

11 "7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES.--
12 The tax imposed by Section 7-2-3 NMSA 1978 shall be at the
13 following rates for any taxable year beginning on or after
14 January 1, 2002:

15 A. For married individuals filing separate
16 returns:

17 If the taxable income is:	The tax shall be:
18 Not over \$3,100	\$ 0
19 Over \$3,100 but not over \$4,000	2.0% of excess
20 over	\$3,100
21 Over \$4,000 but not over \$8,000	\$ 18.00 plus 3.2%
22 of	excess over
23 \$4,000	
24 Over \$8,000 but not over \$12,000	\$ 146 plus 4.7% of
25	excess over \$8,000
Over \$12,000 but not over \$20,000	\$ 334 plus 6.0% of
	excess over \$12,000

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1 Over \$20,000 but not over \$50,000 \$ 814 plus 7.1% of
2 excess over \$20,000
3 Over \$50,000 \$2,944 plus 7.9% of
4 excess over \$50,000.

5 B. For surviving spouses and married individuals
6 filing joint returns:

7	If the taxable income is:	The tax shall be:
8	Not over \$6,200	\$ 0
9	Over \$6,200 but not over \$8,000	2.0% of excess
10	over	\$6,200
11	Over \$8,000 but not over \$16,000	\$ 36.00 plus 3.2% of
12		excess over \$8,000
13	Over \$16,000 but not over \$24,000	\$ 292 plus 4.7% of
14		excess over \$16,000
15	Over \$24,000 but not over \$40,000	\$ 668 plus 6.0% of
16		excess over \$24,000
17	Over \$40,000 but not over \$100,000	\$1,628 plus 7.1% of
18		excess over \$40,000
19	Over \$100,000	\$5,888 plus 7.9% of
20		excess over \$100,000.

21 C. For single individuals and for estates and
22 trusts:

23	If the taxable income is:	The tax shall be:
24	Not over \$3,400	\$ 0
25	Over \$3,400 but not over \$5,500	2.0% of excess
	over	\$3,400
	Over \$5,500 but not over \$11,000	\$ 42.00 plus 3.2% of

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1 excess over \$5,500
2 Over \$11,000 but not over \$16,000 \$ 218 plus 4.7% of
3 excess over \$11,000
4 Over \$16,000 but not over \$26,000 \$ 453 plus 6.0% of
5 excess over \$16,000
6 Over \$26,000 but not over \$65,000 \$1,053 plus 7.1% of
7 excess over \$26,000
8 Over \$65,000 \$3,822 plus 7.9% of
9 excess over \$65,000.

10 D. For heads of household filing returns:

11 If the taxable income is: The tax shall be:

12 Not over \$5,000 \$ 0
13 Over \$5,000 but not over \$7,000 2.0% of excess
14 over \$5,000
15 Over \$7,000 but not over \$14,000 \$ 40.00 plus 3.2% of
16 excess over \$7,000
17 Over \$14,000 but not over \$20,000 \$ 264 plus 4.7% of
18 excess over \$14,000
19 Over \$20,000 but not over \$33,000 \$ 546 plus 6.0% of
20 excess over \$20,000
21 Over \$33,000 but not over \$82,000 \$1,326 plus 7.1% of
22 excess over \$33,000
23 Over \$82,000 \$4,805 plus 7.9% of
24 excess over \$82,000.
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E. The tax on the sum of any lump-sum amounts included in net income is an amount equal to five multiplied by the difference between:

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(1) the amount of tax due on the taxpayer's taxable income; and

(2) the amount of tax that would be due on an amount equal to the taxpayer's taxable income and twenty percent of the taxpayer's lump-sum amounts included in net income."

Section 5. A new section of the Income Tax Act, Section 7-2-7.2 NMSA 1978, is enacted to read:

"7-2-7.2. [NEW MATERIAL] INDEXING OF TAX RATE TABLES.--For taxable years beginning on or after January 1, 2003, the tax rate schedules in Subsections A through D of Section 7-2-7 NMSA 1978 shall be adjusted to account for inflation. The department shall make the adjustments by multiplying the minimum and maximum bracket amounts by a fraction, the numerator of which is the consumer price index ending during the calendar year in which the taxable years begin and the denominator of which is the consumer price index ending in calendar year 2002. The result of the multiplication shall be rounded down to the nearest one hundred dollars (\$100) except that, if the result would be a minimum or maximum bracket amount less than the corresponding amount for the preceding year, then no adjustment shall be made. The department shall adjust the tax due shown for the minimum bracket amounts accordingly. For the purposes of this section, "consumer price index" means the average of the consumer price index for all urban consumers published by the United States department of

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1 labor for the twelve-month period ending July 31 of the
2 calendar year."

3 Section 6. Section 7-2-12 NMSA 1978 (being Laws 1965,
4 Chapter 202, Section 10, as amended) is amended to read:

5 "7-2-12. TAXPAYER RETURNS--PAYMENT OF TAX.--

6 A. Every resident of this state and every
7 individual deriving income from any business transaction,
8 property or employment within this state and not exempt
9 from tax under the Income Tax Act [who] shall file a
10 complete tax return with the department in form and content
11 as prescribed by the secretary if the individual:

12 (1) is required by the laws of the United
13 States to file a federal income tax return [shall file a
14 complete tax return with the department in form and content
15 as prescribed by the secretary] or files a federal income
16 tax return; and

17 (2) the taxpayer's taxable income exceeds
18 the zero bracket amount for the taxpayer's filing status.

19 B. Unless otherwise required under the Income
20 Tax Act or prescription of the secretary, in completing a
21 return for a taxable year, the taxpayer shall declare the
22 same filing status and number of personal exemptions as the
23 taxpayer declared for federal income tax purposes for that
24 same taxable year or, if the taxpayer was not required to
25 file a federal income tax return for the taxable year, the
filing status and number of personal exemptions that would
have been required or allowed for that taxpayer by the

1 Internal Revenue Code and regulations pursuant to the code
2 for that taxable year.

3 C. The return required and the tax imposed on
4 individuals under the Income Tax Act are due and payment is
5 required on or before the fifteenth day of the fourth month
6 following the end of the taxable year."

7 Section 7. APPLICABILITY.--The provisions of Section
8 1 of this act are applicable to taxable years beginning on
9 or after January 1, 2000.

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