

HOUSE FLOOR SUBSTITUTE FOR  
HOUSE BILLS 94, 67, 97, 123, 188, 235, 492 & 580

45TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2001

AN ACT

RELATING TO TAXATION; REDUCING INCOME TAX RATES OVER TWO  
YEARS; INCREASING THE LOW-INCOME COMPREHENSIVE TAX REBATE;  
CHANGING THE JOB MENTORSHIP TAX CREDIT FROM A PILOT PROGRAM TO  
A PERMANENT TAX CREDIT; PROVIDING A GROSS RECEIPTS TAX  
DEDUCTION FOR RECEIPTS OF A FRANCHISOR FOR CERTAIN SHARED  
EXPENSES AND FOR CERTAIN RECEIPTS OF A RESERVATION FUND OR AN  
ADVERTISING COOPERATIVE FROM FRANCHISORS OR FRANCHISEES;  
EXPANDING THE GROSS RECEIPTS TAX DEDUCTION FOR MEDICAL AND  
OTHER HEALTH SERVICES; AMENDING, REPEALING AND ENACTING  
SECTIONS OF THE NMSA 1978.

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

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underscored material = new  
[bracketed material] = delete

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1 Act and unless the context requires otherwise:

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

5 B. "base income":

6 (1) means, for estates and trusts, that part  
7 of the estate's or trust's income defined as taxable income  
8 and upon which the federal income tax is calculated in the  
9 Internal Revenue Code for income tax purposes plus, for  
10 taxable years beginning on or after January 1, 1991, the  
11 amount of the net operating loss deduction allowed by Section  
12 172(a) of the Internal Revenue Code, as that section may be  
13 amended or renumbered, and taken by the taxpayer for that  
14 year;

15 (2) means, for taxpayers other than estates  
16 or trusts, that part of the taxpayer's income defined as  
17 adjusted gross income plus, for taxable years beginning on or  
18 after January 1, 1991, the amount of the net operating loss  
19 deduction allowed by Section 172(a) of the Internal Revenue  
20 Code, as that section may be amended or renumbered, and taken  
21 by the taxpayer for that year; and

22 (3) includes, for all taxpayers, any other  
23 income of the taxpayer not included in adjusted gross income  
24 but upon which a federal tax is calculated pursuant to the  
25 Internal Revenue Code for income tax purposes, except amounts

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1 for which a calculation of tax is made pursuant to Section 55  
2 of the Internal Revenue Code, as that section may be amended  
3 or renumbered; "base income" also includes interest received  
4 on a state or local bond;

5 C. "compensation" means wages, salaries,  
6 commissions and any other form of remuneration paid to  
7 employees for personal services;

8 D. "department" means the taxation and revenue  
9 department, the secretary of taxation and revenue or any  
10 employee of the department exercising authority lawfully  
11 delegated to that employee by the secretary;

12 E. "fiduciary" means a guardian, trustee,  
13 executor, administrator, committee, conservator, receiver,  
14 individual or corporation acting in any fiduciary capacity;

15 F. "filing status" means "married filing joint  
16 returns", "married filing separate returns", "head of  
17 household", "surviving spouse" and "single", as those terms  
18 are generally defined for federal tax purposes;

19 G. "fiscal year" means any accounting period of  
20 twelve months ending on the last day of any month other than  
21 December;

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

24 I. "individual" means a natural person, an estate,  
25 a trust or a fiduciary acting for a natural person, trust or

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1 estate;

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

4 K. "lump-sum amount" means an amount that, for the  
5 purpose of determining liability for federal income tax, was  
6 not included in adjusted gross income but upon which the five-  
7 year-averaging or the ten-year-averaging method of tax  
8 computation provided in Section 402 of the Internal Revenue  
9 Code, as that section may be amended or renumbered, was  
10 applied;

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

- 15 (1) compensation;
- 16 (2) net profit derived from business;
- 17 (3) gains derived from dealings in property;
- 18 (4) interest;
- 19 (5) net rents;
- 20 (6) royalties;
- 21 (7) dividends;
- 22 (8) alimony and separate maintenance  
23 payments;
- 24 (9) annuities;
- 25 (10) income from life insurance and endowment

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1 contracts;

2 (11) pensions;

3 (12) discharge of indebtedness;

4 (13) distributive share of partnership

5 income;

6 (14) income in respect of a decedent;

7 (15) income from an interest in an estate or

8 trust;

9 (16) social security benefits;

10 (17) unemployment compensation benefits;

11 (18) workers' compensation benefits;

12 (19) public assistance and welfare benefits;

13 (20) cost-of-living allowances; and

14 (21) gifts;

15 M "modified gross income" does not include:

16 (1) payments for hospital, dental, medical or  
17 drug expenses whether made to or on behalf of the taxpayer;

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

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

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

3 N. "net income" means, for estates and trusts,  
4 base income adjusted to exclude amounts that the state is  
5 prohibited from taxing because of the laws or constitution of  
6 this state or the United States and means, for taxpayers other  
7 than estates or trusts, base income adjusted to exclude:

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

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

17 (3) an amount equal to the product of the  
18 exemption amount allowed for the taxpayer's taxable year by  
19 Section 151 of the Internal Revenue Code, as that section may  
20 be amended or renumbered, multiplied by the number of personal  
21 exemptions allowed for federal income tax purposes;

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

24 (5) other amounts that the state is  
25 prohibited from taxing because of the laws or constitution of

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1 this state or the United States;

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

4 (a) net operating loss carryback  
5 deductions to that year from taxable years beginning prior to  
6 January 1, 1991 claimed and allowed, as provided by the  
7 Internal Revenue Code; and

8 (b) net operating loss carryover  
9 deductions to that year claimed and allowed; and

10 (7) for taxable years beginning on or after  
11 January 1, 1991, an amount equal to the sum of any net  
12 operating loss carryover deductions to that year claimed and  
13 allowed, provided that the amount of any net operating loss  
14 carryover from a taxable year beginning on or after January 1,  
15 1991 may be excluded only as follows:

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

19 (b) in the case of amended returns or  
20 original returns not timely filed, in the first taxable year  
21 beginning after the date on which the return or amended return  
22 establishing the net operating loss is filed; and

23 (c) in either case, if the net  
24 operating loss carryover exceeds the amount of net income  
25 exclusive of the net operating loss carryover for the taxable

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1 year to which the exclusion first applies, in the next four  
2 succeeding taxable years in turn until the net operating loss  
3 carryover is exhausted; in no event shall a net operating loss  
4 carryover be excluded in any taxable year after the fourth  
5 taxable year beginning after the taxable year to which the  
6 exclusion first applies;

7 O. "net operating loss" means any net operating  
8 loss, as defined by Section 172(c) of the Internal Revenue  
9 Code, as that section may be amended or renumbered, for a  
10 taxable year as further increased by the income, if any, from  
11 obligations of the United States for that year less related  
12 expenses;

13 P. "net operating loss carryover" means the  
14 amount, or any portion of the amount, of a net operating loss  
15 for any taxable year that, pursuant to Paragraph (6) or (7) of  
16 Subsection N of this section, may be excluded from base  
17 income;

18 Q. "nonresident" means every individual not a  
19 resident of this state;

20 R. "person" means any individual, estate, trust,  
21 receiver, cooperative association, club, corporation, company,  
22 firm, partnership, limited liability company, joint venture,  
23 syndicate or other association; "person" also means, to the  
24 extent permitted by law, any federal, state or other  
25 governmental unit or subdivision or agency, department or

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1 instrumentality thereof;

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

9 T. "secretary" means the secretary of taxation and  
10 revenue or the secretary's delegate;

11 U. "state" means any state of the United States,  
12 the District of Columbia, the commonwealth of Puerto Rico, any  
13 territory or possession of the United States or any political  
14 subdivision of a foreign country;

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

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

23 X. "taxable income" means net income less any  
24 lump-sum amount;

25 Y. "taxable year" means the calendar year or

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1 fiscal year upon the basis of which the net income is computed  
2 under the Income Tax Act and includes, in the case of the  
3 return made for a fractional part of a year under the  
4 provisions of the Income Tax Act, the period for which the  
5 return is made; ~~and~~

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

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

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

14 "7-2-7. INDIVIDUAL INCOME TAX RATES.--The tax imposed by  
15 Section 7-2-3 NMSA 1978 shall be at the following rates for  
16 any taxable year beginning ~~[on or after January 1, 1998]~~ in  
17 2001:

18 A. For married individuals filing separate returns:

|    |  |                                   |
|----|--|-----------------------------------|
| 19 | If the taxable income is:                        | The tax shall be:                 |
| 20 | <del>[Not over \$4,000</del>                     | <del>1.7% of taxable income</del> |
| 21 | <del>Over \$ 4,000 but not over \$ 8,000</del>   | <del>\$ 68.00 plus 3.2% of</del>  |
| 22 |  | <del>excess over \$ 4,000</del>   |
| 23 | <del>Over \$ 8,000 but not over \$ 12,000</del>  | <del>\$ 196 plus 4.7% of</del>    |
| 24 |  | <del>excess over \$ 8,000</del>   |
| 25 | <del>Over \$ 12,000 but not over \$ 20,000</del> | <del>\$ 384 plus 6.0% of</del>    |

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|    |  |                                   |
|----|--|-----------------------------------|
| 1  |  | <del>excess over \$ 12,000</del>  |
| 2  | <del>Over \$ 20,000 but not over \$ 32,000</del> | <del>\$ 864 plus 7.1% of</del>    |
| 3  |  | <del>excess over \$ 20,000</del>  |
| 4  | <del>Over \$ 32,000 but not over \$ 50,000</del> | <del>\$ 1,716 plus 7.9% of</del>  |
| 5  |  | <del>excess over \$ 32,000</del>  |
| 6  | <del>Over \$ 50,000</del>                        | <del>\$ 3,138 plus 8.2% of</del>  |
| 7  |  | <del>excess over \$ 50,000]</del> |
| 8  | <u>Not over \$1,500</u>                          | <u>\$ 0</u>                       |
| 9  | <u>Over \$ 1,500 but not over \$ 5,000</u>       | <u>2.0% of excess over</u>        |
| 10 |  | <u>\$1,500</u>                    |
| 11 | <u>Over \$ 5,000 but not over \$ 8,000</u>       | <u>\$ 70.00 plus 3.2% of</u>      |
| 12 |  | <u>excess over \$5,000</u>        |
| 13 | <u>Over \$ 8,000 but not over \$ 12,000</u>      | <u>\$ 166 plus 4.7% of</u>        |
| 14 |  | <u>excess over \$8,000</u>        |
| 15 | <u>Over \$ 12,000 but not over \$ 20,000</u>     | <u>\$ 354 plus 6.0% of</u>        |
| 16 |  | <u>excess over \$12,000</u>       |
| 17 | <u>Over \$ 20,000 but not over \$ 32,000</u>     | <u>\$ 834 plus 7.1% of</u>        |
| 18 |  | <u>excess over \$20,000</u>       |
| 19 | <u>Over \$ 32,000</u>                            | <u>\$ 1,686 plus 7.9% of</u>      |
| 20 |  | <u>excess over \$32,000.</u>      |

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

|    |   |                                   |
|----|---|-----------------------------------|
| 23 | If the taxable income is:                       | The tax shall be:                 |
| 24 | <del>[Not over \$8,000</del>                    | <del>1.7% of taxable income</del> |
| 25 | <del>Over \$ 8,000 but not over \$ 16,000</del> | <del>\$ 136 plus 3.2% of</del>    |

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1 ~~excess over \$ 8,000~~  
2 ~~Over \$ 16,000 but not over \$ 24,000 \$ 392 plus 4.7% of~~  
3 ~~excess over \$ 16,000~~  
4 ~~Over \$ 24,000 but not over \$ 40,000 \$ 768 plus 6.0% of~~  
5 ~~excess over \$ 24,000~~  
6 ~~Over \$ 40,000 but not over \$ 64,000 \$ 1,728 plus 7.1% of~~  
7 ~~excess over \$ 40,000~~  
8 ~~Over \$ 64,000 but not over \$100,000 \$ 3,432 plus 7.9% of~~  
9 ~~excess over \$ 64,000~~  
10 ~~Over \$100,000~~ ~~\$ 6,276 plus 8.2% of~~  
11 ~~excess over \$100,000]~~  
12 Not over \$3,000 \$ 0  
13 Over \$ 3,000 but not over \$ 10,500 2.0% of excess over  
14 \$3,000  
15 Over \$ 10,500 but not over \$ 16,000 \$ 150 plus 3.2% of  
16 excess over \$10,500  
17 Over \$ 16,000 but not over \$ 24,000 \$ 326 plus 4.7% of  
18 excess over \$16,000  
19 Over \$ 24,000 but not over \$ 40,000 \$ 702 plus 6.0% of  
20 excess over \$24,000  
21 Over \$ 40,000 but not over \$ 64,000 \$1,662 plus 7.1% of  
22 excess over \$40,000  
23 Over \$ 64,000 \$3,366 plus 7.9% of  
24 excess over \$ 64,000.

25 C. For single individuals and for estates and

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1 trusts:

| 2 If the taxable income is:                         | The tax shall be:                  |
|---|------------------------------------|
| 3 <del>[Not over \$5,500</del>                      | <del>1.7% of taxable income</del>  |
| 4 <del>Over \$ 5,500 but not over \$ 11,000</del>   | <del>\$ 93.50 plus 3.2% of</del>   |
| 5   | <del>excess over \$ 5,500</del>    |
| 6 <del>Over \$ 11,000 but not over \$ 16,000</del>  | <del>\$ 269.50 plus 4.7% of</del>  |
| 7   | <del>excess over \$ 11,000</del>   |
| 8 <del>Over \$ 16,000 but not over \$ 26,000</del>  | <del>\$ 504.50 plus 6.0% of</del>  |
| 9   | <del>excess over \$ 16,000</del>   |
| 10 <del>Over \$ 26,000 but not over \$ 42,000</del> | <del>\$1,104.50 plus 7.1% of</del> |
| 11  | <del>excess over \$ 26,000</del>   |
| 12 <del>Over \$ 42,000 but not over \$ 65,000</del> | <del>\$2,240.50 plus 7.9% of</del> |
| 13  | <del>excess over \$ 42,000</del>   |
| 14 <del>Over \$ 65,000</del>                        | <del>\$4,057.50 plus 8.2% of</del> |
| 15  | <del>excess over \$ 65,000]</del>  |
| 16 <u>Not over \$1,500</u>                          | <u>\$ 0</u>                        |
| 17 <u>Over \$ 1,500 but not over \$ 6,000</u>       | <u>2.0% of excess over</u>         |
| 18  | <u>\$1,500</u>                     |
| 19 <u>Over \$ 6,000 but not over \$ 11,000</u>      | <u>\$ 90.00 plus 3.2% of</u>       |
| 20  | <u>excess over \$6,000</u>         |
| 21 <u>Over \$ 11,000 but not over \$ 16,000</u>     | <u>\$ 250 plus 4.7% of</u>         |
| 22  | <u>excess over \$11,000</u>        |
| 23 <u>Over \$ 16,000 but not over \$ 26,000</u>     | <u>\$ 485 plus 6.0% of</u>         |
| 24  | <u>excess over \$16,000</u>        |
| 25 <u>Over \$ 26,000 but not over \$ 42,000</u>     | <u>\$1,085 plus 7.1% of</u>        |

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1 excess over \$26,000  
 2 Over \$ 42,000 \$2,221 plus 7.9% of  
 3 excess over \$42,000.

D. For heads of household filing returns:

If the taxable income is: The tax shall be:

6 [~~Not over \$7,000~~ ~~1.7% of taxable income~~  
 7 ~~Over \$ 7,000 but not over \$ 14,000~~ ~~\$ 119 plus 3.2% of~~  
 8 ~~excess over \$ 7,000~~  
 9 ~~Over \$ 14,000 but not over \$ 20,000~~ ~~\$ 343 plus 4.7% of~~  
 10 ~~excess over \$ 14,000~~  
 11 ~~Over \$ 20,000 but not over \$ 33,000~~ ~~\$ 625 plus 6.0% of~~  
 12 ~~excess over \$ 20,000~~  
 13 ~~Over \$ 33,000 but not over \$ 53,000~~ ~~\$1,405 plus 7.1% of~~  
 14 ~~excess over \$ 33,000~~  
 15 ~~Over \$ 53,000 but not over \$ 83,000~~ ~~\$2,825 plus 7.9% of~~  
 16 ~~excess over \$ 53,000~~  
 17 ~~Over \$83,000~~ ~~\$5,195 plus 8.2% of~~  
 18 ~~excess over \$ 83,000]~~

19 Not over \$2,500 \$ 0  
 20 Over \$ 2,500 but not over \$ 8,000 2.0% of excess over  
 21 \$2,500  
 22 Over \$ 8,000 but not over \$ 14,000 \$ 110 plus 3.2% of  
 23 excess over \$8,000  
 24 Over \$ 14,000 but not over \$ 20,000 \$ 302 plus 4.7% of  
 25 excess over \$14,000

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underscored material = new  
[bracketed material] = delete

|   |  |                              |
|---|--|------------------------------|
| 1 | <u>Over \$ 20,000 but not over \$ 33,000</u> | <u>\$ 584 plus 6.0% of</u>   |
| 2 |  | <u>excess over \$20,000</u>  |
| 3 | <u>Over \$ 33,000 but not over \$ 53,000</u> | <u>\$1,364 plus 7.1% of</u>  |
| 4 |  | <u>excess over \$33,000</u>  |
| 5 | <u>Over \$ 53,000</u>                        | <u>\$2,784 plus 7.9% of</u>  |
| 6 |  | <u>excess over \$53,000.</u> |

7 E. The tax on the sum of any lump-sum amounts  
8 included in net income is an amount equal to five multiplied  
9 by the difference between:

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

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

16 Section 3. Section 7-2-7 NMSA 1978 (being Laws 1994,  
17 Chapter 5, Section 20, as amended and as further amended by  
18 Section 2 of this act) is repealed and a new Section 7-2-7  
19 NMSA 1978 is enacted to read:

20 "7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES. --  
21 The tax imposed by Section 7-2-3 NMSA 1978 shall be at the  
22 following rates for any taxable year beginning on or after  
23 January 1, 2002:

24 A. For married individuals filing separate  
25 returns:

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| 1  | If the taxable income is:             | The tax shall be:     |
|----|---------------------------------------|-----------------------|
| 2  | Not over \$1,500                      | \$ 0                  |
| 3  | Over \$ 1,500 but not over \$ 5,000   | 2.0% of excess over   |
| 4  |                                       | \$1,500               |
| 5  | Over \$ 5,000 but not over \$ 8,000   | \$ 70.00 plus 3.2% of |
| 6  |                                       | excess over \$5,000   |
| 7  | Over \$ 8,000 but not over \$ 12,000  | \$ 166 plus 4.7% of   |
| 8  |                                       | excess over \$8,000   |
| 9  | Over \$ 12,000 but not over \$ 20,000 | \$ 354 plus 6.0% of   |
| 10 |                                       | excess over \$12,000  |
| 11 | Over \$ 20,000 but not over \$ 40,000 | \$ 834 plus 7.1% of   |
| 12 |                                       | excess over \$20,000  |
| 13 | Over \$ 40,000                        | \$ 2,254 plus 7.8% of |
| 14 |                                       | excess over \$40,000. |

15 B. For surviving spouses and married individuals  
16 filing joint returns:

| 17 | If the taxable income is:             | The tax shall be:    |
|----|---------------------------------------|----------------------|
| 18 | Not over \$3,000                      | \$ 0                 |
| 19 | Over \$ 3,000 but not over \$ 10,500  | 2.0% of excess over  |
| 20 |                                       | \$3,000              |
| 21 | Over \$ 10,500 but not over \$ 16,000 | \$ 150 plus 3.2% of  |
| 22 |                                       | excess over \$10,500 |
| 23 | Over \$ 16,000 but not over \$ 24,000 | \$ 326 plus 4.7% of  |
| 24 |                                       | excess over \$16,000 |
| 25 | Over \$ 24,000 but not over \$ 40,000 | \$ 702 plus 6.0% of  |

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1 excess over \$24, 000  
 2 Over \$ 40, 000 but not over \$ 80, 000 \$1, 662 plus 7. 1% of  
 3 excess over \$40, 000  
 4 Over \$ 80, 000 \$4, 502 plus 7. 8% of  
 5 excess over \$ 80, 000.

6 C. For single individuals and for estates and  
 7 trusts:

| 8  | If the taxable income is:               | The tax shall be:       |
|----|---|-------------------------|
| 9  | Not over \$1, 500                       | \$ 0                    |
| 10 | Over \$ 1, 500 but not over \$ 6, 000   | 2. 0% of excess over    |
| 11 |   | \$1, 500                |
| 12 | Over \$ 6, 000 but not over \$ 11, 000  | \$ 90. 00 plus 3. 2% of |
| 13 |   | excess over \$6, 000    |
| 14 | Over \$ 11, 000 but not over \$ 16, 000 | \$ 250 plus 4. 7% of    |
| 15 |   | excess over \$11, 000   |
| 16 | Over \$ 16, 000 but not over \$ 26, 000 | \$ 485 plus 6. 0% of    |
| 17 |   | excess over \$16, 000   |
| 18 | Over \$ 26, 000 but not over \$ 52, 000 | \$1, 085 plus 7. 1% of  |
| 19 |   | excess over \$26, 000   |
| 20 | Over \$ 52, 000                         | \$2, 937 plus 7. 8% of  |
| 21 |   | excess over \$52, 000.  |

22 D. For heads of household filing returns:

| 23 | If the taxable income is:             | The tax shall be:    |
|----|---------------------------------------|----------------------|
| 24 | Not over \$2, 500                     | \$ 0                 |
| 25 | Over \$ 2, 500 but not over \$ 8, 000 | 2. 0% of excess over |

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|    |                                       |                       |
|----|---------------------------------------|-----------------------|
| 1  |                                       | \$2,500               |
| 2  | Over \$ 8,000 but not over \$ 14,000  | \$ 110 plus 3.2% of   |
| 3  |                                       | excess over \$8,000   |
| 4  | Over \$ 14,000 but not over \$ 20,000 | \$ 302 plus 4.7% of   |
| 5  |                                       | excess over \$14,000  |
| 6  | Over \$ 20,000 but not over \$ 33,000 | \$ 584 plus 6.0% of   |
| 7  |                                       | excess over \$20,000  |
| 8  | Over \$ 33,000 but not over \$ 65,000 | \$1,364 plus 7.1% of  |
| 9  |                                       | excess over \$33,000  |
| 10 | Over \$ 65,000                        | \$3,636 plus 7.8% of  |
| 11 |                                       | excess over \$65,000. |

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:

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

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

A. Every resident of this state and every individual deriving income from any business transaction,

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1 property or employment within this state and not exempt from  
2 tax under the Income Tax Act ~~[who]~~ shall file a complete tax  
3 return with the department in form and content as prescribed  
4 by the secretary if the individual:

5 (1) is required by the laws of the United  
6 States to file a federal income tax return ~~[shall file a~~  
7 ~~complete tax return with the department in form and content~~  
8 ~~as prescribed by the secretary]~~ or files a federal income  
9 tax return; and

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

12 B. Unless otherwise required under the Income  
13 Tax Act or prescription of the secretary, in completing a  
14 return for a taxable year, the taxpayer shall declare the  
15 same filing status and number of personal exemptions as the  
16 taxpayer declared for federal income tax purposes for that  
17 same taxable year or, if the taxpayer was not required to  
18 file a federal income tax return for the taxable year, the  
19 filing status and number of personal exemptions that would  
20 have been required or allowed for that taxpayer by the  
21 Internal Revenue Code and regulations thereunder for the  
22 taxable year.

23 C. The return required and the tax imposed on  
24 individuals under the Income Tax Act are due and payment is  
25 required on or before the fifteenth day of the fourth month

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1 following the end of the taxable year."

2 Section 5. Section 7-2-14 NMSA 1978 (being Laws 1972,  
3 Chapter 20, Section 2, as amended) is amended to read:

4 "7-2-14. LOW-INCOME COMPREHENSIVE TAX REBATE. --

5 A. Except as otherwise provided in Subsection B  
6 of this section, any resident who files an individual New  
7 Mexico income tax return and who is not a dependent of  
8 another individual may claim a tax rebate for a portion of  
9 state and local taxes to which the resident has been subject  
10 during the taxable year for which the return is filed. The  
11 tax rebate may be claimed even though the resident has no  
12 income taxable under the Income Tax Act. A husband and wife  
13 who file separate returns for a taxable year in which they  
14 could have filed a joint return may each claim only one-half  
15 of the tax rebate that would have been allowed on a joint  
16 return.

17 B. No claim for the tax rebate provided in this  
18 section shall be filed by a resident who was an inmate of a  
19 public institution for more than six months during the  
20 taxable year for which the tax rebate could be claimed or  
21 who was not physically present in New Mexico for at least  
22 six months during the taxable year for which the tax rebate  
23 could be claimed.

24 C. For the purposes of this section, the total  
25 number of exemptions for which a tax rebate may be claimed

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1 or allowed is determined by adding the number of federal  
 2 exemptions allowable for federal income tax purposes for  
 3 each individual included in the return who is domiciled in  
 4 New Mexico plus:

5 (1) two additional exemptions for each  
 6 individual domiciled in New Mexico included in the return  
 7 who is sixty-five years of age or older; [~~plus~~]

8 (2) one additional exemption for each  
 9 individual domiciled in New Mexico included in the return  
 10 who, for federal income tax purposes, is blind; [~~plus one~~  
 11 exemption]

12 (3) two additional exemptions for each  
 13 minor child or stepchild of the resident; and

14 (4) three exemptions for each minor child  
 15 or stepchild of the resident who would be a dependent for  
 16 federal income tax purposes if the public assistance  
 17 contributing to the support of the child or stepchild was  
 18 considered to have been contributed by the resident.

19 D. The tax rebate provided for in this section  
 20 may be claimed in the amount shown in the following table:

|    |                  |                      |                   |                   |                   |                   |                   |                   |
|----|------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 21 | Modified gross   | And the total number |                   |                   |                   |                   |                   |                   |
| 22 | income is:       | of exemptions is:    |                   |                   |                   |                   |                   |                   |
| 23 |                  | But Not              |                   |                   |                   |                   | 6 or              |                   |
| 24 | Over             | Over                 | 1                 | 2                 | 3                 | 4                 | 5                 | More              |
| 25 | <del>[\$ 0</del> | <del>\$ 500</del>    | <del>\$ 120</del> | <del>\$ 160</del> | <del>\$ 200</del> | <del>\$ 240</del> | <del>\$ 280</del> | <del>\$ 320</del> |

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|    |                   |                   |                |                |                |                |                |                |
|----|-------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1  | <del>500</del>    | <del>1,000</del>  | <del>135</del> | <del>195</del> | <del>250</del> | <del>310</del> | <del>350</del> | <del>415</del> |
| 2  | <del>1,000</del>  | <del>1,500</del>  | <del>135</del> | <del>195</del> | <del>250</del> | <del>310</del> | <del>350</del> | <del>435</del> |
| 3  | <del>1,500</del>  | <del>2,000</del>  | <del>135</del> | <del>195</del> | <del>250</del> | <del>310</del> | <del>350</del> | <del>450</del> |
| 4  | <del>2,000</del>  | <del>2,500</del>  | <del>135</del> | <del>195</del> | <del>250</del> | <del>310</del> | <del>350</del> | <del>450</del> |
| 5  | <del>2,500</del>  | <del>3,000</del>  | <del>135</del> | <del>195</del> | <del>250</del> | <del>310</del> | <del>350</del> | <del>450</del> |
| 6  | <del>3,000</del>  | <del>3,500</del>  | <del>135</del> | <del>195</del> | <del>250</del> | <del>310</del> | <del>350</del> | <del>450</del> |
| 7  | <del>3,500</del>  | <del>4,000</del>  | <del>135</del> | <del>195</del> | <del>250</del> | <del>310</del> | <del>355</del> | <del>450</del> |
| 8  | <del>4,000</del>  | <del>4,500</del>  | <del>135</del> | <del>195</del> | <del>250</del> | <del>310</del> | <del>355</del> | <del>450</del> |
| 9  | <del>4,500</del>  | <del>5,000</del>  | <del>125</del> | <del>190</del> | <del>240</del> | <del>305</del> | <del>355</del> | <del>450</del> |
| 10 | <del>5,000</del>  | <del>5,500</del>  | <del>115</del> | <del>175</del> | <del>230</del> | <del>295</del> | <del>355</del> | <del>430</del> |
| 11 | <del>5,500</del>  | <del>6,000</del>  | <del>105</del> | <del>155</del> | <del>210</del> | <del>260</del> | <del>315</del> | <del>410</del> |
| 12 | <del>6,000</del>  | <del>7,000</del>  | <del>90</del>  | <del>130</del> | <del>170</del> | <del>220</del> | <del>275</del> | <del>370</del> |
| 13 | <del>7,000</del>  | <del>8,000</del>  | <del>80</del>  | <del>115</del> | <del>145</del> | <del>180</del> | <del>225</del> | <del>295</del> |
| 14 | <del>8,000</del>  | <del>9,000</del>  | <del>70</del>  | <del>105</del> | <del>135</del> | <del>170</del> | <del>195</del> | <del>240</del> |
| 15 | <del>9,000</del>  | <del>10,000</del> | <del>65</del>  | <del>95</del>  | <del>115</del> | <del>145</del> | <del>175</del> | <del>205</del> |
| 16 | <del>10,000</del> | <del>11,000</del> | <del>60</del>  | <del>80</del>  | <del>100</del> | <del>130</del> | <del>155</del> | <del>185</del> |
| 17 | <del>11,000</del> | <del>12,000</del> | <del>55</del>  | <del>70</del>  | <del>90</del>  | <del>110</del> | <del>135</del> | <del>160</del> |
| 18 | <del>12,000</del> | <del>13,000</del> | <del>50</del>  | <del>65</del>  | <del>85</del>  | <del>100</del> | <del>115</del> | <del>140</del> |
| 19 | <del>13,000</del> | <del>14,000</del> | <del>50</del>  | <del>65</del>  | <del>85</del>  | <del>100</del> | <del>115</del> | <del>140</del> |
| 20 | <del>14,000</del> | <del>15,000</del> | <del>45</del>  | <del>60</del>  | <del>75</del>  | <del>90</del>  | <del>105</del> | <del>120</del> |
| 21 | <del>15,000</del> | <del>16,000</del> | <del>40</del>  | <del>55</del>  | <del>70</del>  | <del>85</del>  | <del>95</del>  | <del>110</del> |
| 22 | <del>16,000</del> | <del>17,000</del> | <del>35</del>  | <del>50</del>  | <del>65</del>  | <del>80</del>  | <del>85</del>  | <del>105</del> |
| 23 | <del>17,000</del> | <del>18,000</del> | <del>30</del>  | <del>45</del>  | <del>60</del>  | <del>70</del>  | <del>80</del>  | <del>95</del>  |
| 24 | <del>18,000</del> | <del>19,000</del> | <del>25</del>  | <del>35</del>  | <del>50</del>  | <del>60</del>  | <del>70</del>  | <del>80</del>  |
| 25 | <del>19,000</del> | <del>20,000</del> | <del>20</del>  | <del>30</del>  | <del>40</del>  | <del>50</del>  | <del>60</del>  | <del>65</del>  |

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|    |                   |                   |               |               |               |               |               |                |
|----|-------------------|-------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 1  | <del>20,000</del> | <del>21,000</del> | <del>15</del> | <del>25</del> | <del>30</del> | <del>40</del> | <del>50</del> | <del>55</del>  |
| 2  | <del>21,000</del> | <del>22,000</del> | <del>10</del> | <del>20</del> | <del>25</del> | <del>35</del> | <del>40</del> | <del>45]</del> |
| 3  | <u>\$ 0</u>       | <u>\$ 500</u>     | <u>\$ 130</u> | <u>\$ 170</u> | <u>\$ 215</u> | <u>\$ 260</u> | <u>\$ 300</u> | <u>\$ 345</u>  |
| 4  | <u>500</u>        | <u>1,000</u>      | <u>145</u>    | <u>210</u>    | <u>270</u>    | <u>335</u>    | <u>375</u>    | <u>445</u>     |
| 5  | <u>1,000</u>      | <u>1,500</u>      | <u>145</u>    | <u>210</u>    | <u>270</u>    | <u>335</u>    | <u>375</u>    | <u>465</u>     |
| 6  | <u>1,500</u>      | <u>2,000</u>      | <u>145</u>    | <u>210</u>    | <u>270</u>    | <u>335</u>    | <u>375</u>    | <u>485</u>     |
| 7  | <u>2,000</u>      | <u>2,500</u>      | <u>145</u>    | <u>210</u>    | <u>270</u>    | <u>335</u>    | <u>375</u>    | <u>485</u>     |
| 8  | <u>2,500</u>      | <u>3,000</u>      | <u>145</u>    | <u>210</u>    | <u>270</u>    | <u>335</u>    | <u>375</u>    | <u>485</u>     |
| 9  | <u>3,000</u>      | <u>3,500</u>      | <u>145</u>    | <u>210</u>    | <u>270</u>    | <u>335</u>    | <u>375</u>    | <u>485</u>     |
| 10 | <u>3,500</u>      | <u>4,000</u>      | <u>145</u>    | <u>210</u>    | <u>270</u>    | <u>335</u>    | <u>380</u>    | <u>485</u>     |
| 11 | <u>4,000</u>      | <u>4,500</u>      | <u>145</u>    | <u>210</u>    | <u>270</u>    | <u>335</u>    | <u>380</u>    | <u>485</u>     |
| 12 | <u>4,500</u>      | <u>5,000</u>      | <u>135</u>    | <u>205</u>    | <u>260</u>    | <u>330</u>    | <u>380</u>    | <u>485</u>     |
| 13 | <u>5,000</u>      | <u>5,500</u>      | <u>125</u>    | <u>185</u>    | <u>245</u>    | <u>320</u>    | <u>380</u>    | <u>460</u>     |
| 14 | <u>5,500</u>      | <u>6,000</u>      | <u>115</u>    | <u>165</u>    | <u>225</u>    | <u>280</u>    | <u>340</u>    | <u>440</u>     |
| 15 | <u>6,000</u>      | <u>7,000</u>      | <u>95</u>     | <u>140</u>    | <u>185</u>    | <u>235</u>    | <u>295</u>    | <u>400</u>     |
| 16 | <u>7,000</u>      | <u>8,000</u>      | <u>85</u>     | <u>125</u>    | <u>155</u>    | <u>195</u>    | <u>240</u>    | <u>320</u>     |
| 17 | <u>8,000</u>      | <u>9,000</u>      | <u>75</u>     | <u>115</u>    | <u>145</u>    | <u>185</u>    | <u>210</u>    | <u>260</u>     |
| 18 | <u>9,000</u>      | <u>10,000</u>     | <u>70</u>     | <u>105</u>    | <u>125</u>    | <u>155</u>    | <u>190</u>    | <u>220</u>     |
| 19 | <u>10,000</u>     | <u>11,000</u>     | <u>65</u>     | <u>90</u>     | <u>110</u>    | <u>140</u>    | <u>170</u>    | <u>200</u>     |
| 20 | <u>11,000</u>     | <u>12,000</u>     | <u>60</u>     | <u>75</u>     | <u>100</u>    | <u>120</u>    | <u>145</u>    | <u>175</u>     |
| 21 | <u>12,000</u>     | <u>13,000</u>     | <u>55</u>     | <u>70</u>     | <u>90</u>     | <u>110</u>    | <u>125</u>    | <u>150</u>     |
| 22 | <u>13,000</u>     | <u>14,000</u>     | <u>55</u>     | <u>70</u>     | <u>90</u>     | <u>110</u>    | <u>125</u>    | <u>150</u>     |
| 23 | <u>14,000</u>     | <u>15,000</u>     | <u>50</u>     | <u>65</u>     | <u>80</u>     | <u>100</u>    | <u>115</u>    | <u>130</u>     |
| 24 | <u>15,000</u>     | <u>16,000</u>     | <u>45</u>     | <u>60</u>     | <u>75</u>     | <u>95</u>     | <u>105</u>    | <u>120</u>     |
| 25 | <u>16,000</u>     | <u>17,000</u>     | <u>40</u>     | <u>55</u>     | <u>70</u>     | <u>90</u>     | <u>95</u>     | <u>115</u>     |

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|   |        |        |    |    |    |    |    |     |
|---|--------|--------|----|----|----|----|----|-----|
| 1 | 17,000 | 18,000 | 35 | 50 | 65 | 80 | 90 | 105 |
| 2 | 18,000 | 19,000 | 30 | 40 | 55 | 65 | 75 | 90  |
| 3 | 19,000 | 20,000 | 25 | 35 | 45 | 55 | 65 | 70  |
| 4 | 20,000 | 21,000 | 20 | 30 | 35 | 45 | 55 | 60  |
| 5 | 21,000 | 22,000 | 15 | 25 | 30 | 40 | 45 | 50. |

6 E. If a taxpayer's modified gross income is zero,  
7 the taxpayer may claim a credit in the amount shown in the  
8 first row of the table appropriate for the taxpayer's number of  
9 exemptions.

10 F. The tax rebates provided for in this section may  
11 be deducted from the taxpayer's New Mexico income tax liability  
12 for the taxable year. If the tax rebates exceed the taxpayer's  
13 income tax liability, the excess shall be refunded to the  
14 taxpayer.

15 G. For purposes of this section, "dependent" means  
16 "dependent" as defined by Section 152 of the Internal Revenue  
17 Code of 1986, as that section may be amended or renumbered, but  
18 also includes any minor child or stepchild of the resident who  
19 would be a dependent for federal income tax purposes if the  
20 public assistance contributing to the support of the child or  
21 stepchild was considered to have been contributed by the  
22 resident. "

23 Section 6. Section 7-2-18.6 NMSA 1978 (being Laws 1999,  
24 Chapter 217, Section 1) is amended to read:

25 "7-2-18.6. JOB MENTORSHIP TAX CREDIT. --

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1           A. To encourage New Mexico businesses to hire youth  
 2 participating in certified school-to-career programs, any  
 3 taxpayer who files an individual New Mexico income tax return,  
 4 who is not a dependent of another individual and who is the  
 5 owner of a New Mexico business may claim a credit in an amount  
 6 equal to fifty percent of gross wages paid to qualified  
 7 students who are employed by the business during the taxable  
 8 year for which the return is filed. The tax credit may be  
 9 known as the "job mentorship tax credit".

10           B. A taxpayer who is the owner of a New Mexico  
 11 business may claim the credit provided in this section for each  
 12 taxable year in which the business employs one or more  
 13 qualified students. The maximum aggregate credit allowable  
 14 shall not exceed fifty percent of the gross wages paid to not  
 15 more than ten qualified students employed by the business for  
 16 up to three hundred twenty hours of employment of each  
 17 qualified student in each taxable year for a maximum of three  
 18 taxable years for each qualified student. In no event shall a  
 19 taxpayer claim a credit in excess of twelve thousand dollars  
 20 (\$12,000) in any taxable year. The taxpayer shall certify that  
 21 hiring the qualified student does not displace or replace a  
 22 current employee.

23           C. ~~[The number of qualified students whose~~  
 24 ~~employment qualifies for a job mentorship tax credit pursuant~~  
 25 ~~to this section or the Corporate Income and Franchise Tax Act~~

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1 ~~shall be limited to a pilot program of one thousand qualified~~  
2 ~~students in any calendar year.]~~ The department shall allocate  
3 annually to the state school-to-work director [~~one thousand~~  
4 ~~pilot program]~~ certificates that shall be distributed by the  
5 state school-to-work director to administrators of certified  
6 school-to-career programs. The [~~pilot program]~~ certificates,  
7 when properly executed, shall serve as evidence of the  
8 taxpayer's eligibility for the job mentorship tax credit. The  
9 maximum number of [~~pilot program]~~ certificates that may be  
10 issued to a single school-to-career program administrator is  
11 equal to the number of qualified school-to-career participants  
12 in that program on May 1 of the current calendar year. The  
13 [~~pilot program]~~ certificates shall be issued in the order in  
14 which they are requested. To claim the credit pursuant to this  
15 section, the taxpayer must submit with respect to each employee  
16 for whom the credit is claimed:

- 17 (1) a properly executed [~~pilot program]~~  
18 certificate;
- 19 (2) information required by the secretary  
20 with respect to the employee's employment by the business  
21 during the taxable year for which the credit is claimed; and
- 22 (3) information required by the secretary  
23 that the employee was not also employed in the same taxable  
24 year by another New Mexico business qualifying for and claiming  
25 a job mentorship tax credit for that employee pursuant to this

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1 section or the Corporate Income and Franchise Tax Act.

2 D. The credit provided pursuant to this section may  
3 only be deducted from the taxpayer's New Mexico income tax  
4 liability for the taxable year. Any portion of the maximum tax  
5 credit provided by this section that remains unused at the end  
6 of the taxpayer's taxable year may be carried forward for three  
7 consecutive taxable years; provided the total tax credits  
8 claimed under this section shall not exceed the maximum  
9 allowable pursuant to Subsection B of this section.

10 E. A husband and wife who file separate returns for  
11 a taxable year in which they could have filed a joint return  
12 may each claim only one-half of the credit that would have been  
13 allowed on a joint return.

14 F. A taxpayer who otherwise qualifies for and claims  
15 a job mentorship tax credit for employment of qualified  
16 students by a partnership, limited partnership, limited  
17 liability company, S corporation or other business association  
18 of which the taxpayer is a member may claim a credit only in  
19 proportion to his interest in the partnership, limited  
20 partnership, limited liability company, S corporation or  
21 association. The total credit claimed by all members of the  
22 business shall not exceed the maximum tax credit allowable  
23 pursuant to Subsection B of this section.

24 G. As used in this section:

25 (1) "certified school-to-career program"

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1 means a summer employment program certified by the state  
2 school-to-work office as a school-to-career program designed  
3 for secondary school students to create academic and career  
4 goals and objectives and find employment in a job meeting those  
5 goals and objectives;

6 (2) "New Mexico business" means a  
7 partnership, limited partnership, limited liability company  
8 treated as a partnership for federal income tax purposes, S  
9 corporation or sole proprietorship that carries on a trade or  
10 business in New Mexico and that employs in New Mexico less than  
11 three hundred full-time employees at any one time during the  
12 taxable year; and

13 (3) "qualified student" means an individual  
14 who is at least fourteen years of age but not more than twenty-  
15 one years of age who is attending full time an accredited New  
16 Mexico secondary school and who is a participant in a certified  
17 school-to-career program "

18 Section 7. Section 7-2A-17 NMSA 1978 (being Laws 1999,  
19 Chapter 217, Section 2) is amended to read:

20 "7-2A-17. JOB MENTORSHIP TAX CREDIT. --

21 A. To encourage New Mexico businesses to hire youth  
22 participating in certified school-to-career programs, any  
23 taxpayer who is a New Mexico business and who files a corporate  
24 income tax return may claim a credit in an amount equal to  
25 fifty percent of gross wages paid to qualified students who are

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1 employed by the taxpayer during the taxable year for which the  
 2 return is filed. The tax credit may be known as the "job  
 3 mentorship tax credit".

4 B. A taxpayer may claim the credit provided in this  
 5 section for each taxable year in which the taxpayer employs one  
 6 or more qualified students. The maximum aggregate credit  
 7 allowable shall not exceed fifty percent of the gross wages  
 8 paid to not more than ten qualified students employed by the  
 9 taxpayer for up to three hundred twenty hours of employment of  
 10 each qualified student in each taxable year for a maximum of  
 11 three taxable years for each qualified student. In no event  
 12 shall a taxpayer claim a credit in excess of twelve thousand  
 13 dollars (\$12,000) in any taxable year. The employer shall  
 14 certify that hiring the qualified student does not displace or  
 15 replace a current employee.

16 C. ~~[The number of qualified students whose~~  
 17 ~~employment qualifies for a job mentorship tax credit pursuant~~  
 18 ~~to this section or the Income Tax Act shall be limited to a~~  
 19 ~~pilot program of one thousand qualified students in any~~  
 20 ~~calendar year.]~~ The department shall allocate annually to the  
 21 state school-to-work director ~~[one thousand pilot program]~~  
 22 certificates that shall be distributed by the state school-to-  
 23 work director to administrators of certified school-to-career  
 24 programs. The ~~[pilot program]~~ certificates, when properly  
 25 executed, shall serve as evidence of the taxpayer's eligibility

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1 for the job mentorship tax credit. The maximum number of  
2 [~~pilot program~~] certificates that may be issued to a single  
3 school-to-career program administrator is equal to the number  
4 of qualified school-to-career participants in that program on  
5 May 1 of the current calendar year. The [~~pilot program~~]  
6 certificates shall be issued in the order in which they are  
7 requested. To claim the credit under this section, the  
8 taxpayer must submit with respect to each employee for whom the  
9 credit is claimed:

10 (1) a properly executed [~~pilot program~~]  
11 certificate;

12 (2) information required by the secretary  
13 with respect to the employee's employment by the taxpayer  
14 during the taxable year for which the credit is claimed; and

15 (3) information required by the secretary  
16 that the employee was not also employed in the same taxable  
17 year by another New Mexico business qualifying for and claiming  
18 a job mentorship tax credit for that employee pursuant to this  
19 section or the Income Tax Act.

20 D. The credit provided [~~under~~] pursuant to this  
21 section may only be deducted from the taxpayer's corporate  
22 income tax liability for the taxable year. Any portion of the  
23 maximum tax credit provided by this section that remains unused  
24 at the end of the taxpayer's taxable year may be carried  
25 forward for three consecutive taxable years; provided the total

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1 tax credits claimed [~~under~~] pursuant to this section shall not  
2 exceed the maximum allowable under Subsection B of this  
3 section.

4 E. As used in this section:

5 (1) "certified school-to-career program"  
6 means a summer employment program certified by the state  
7 school-to-work office as a school-to-career program designed  
8 for secondary school students to create academic and career  
9 goals and objectives and find employment in a job meeting those  
10 goals and objectives;

11 (2) "New Mexico business" means a corporation  
12 that carries on a trade or business in New Mexico and that  
13 employs in New Mexico less than three hundred full-time  
14 employees during the taxable year; and

15 (3) "qualified student" means an individual  
16 who is at least fourteen years of age but not more than twenty-  
17 one years of age who is attending full time an accredited New  
18 Mexico secondary school and who is a participant in a certified  
19 school-to-career program "

20 Section 8. A new section of the Gross Receipts and  
21 Compensating Tax Act is enacted to read:

22 "[NEW MATERIAL] DEDUCTION--GROSS RECEIPTS TAX--  
23 FRANCHISORS AND FRANCHISEES--CERTAIN SHARED EXPENSES AND  
24 COOPERATIVE ADVERTISING RECEIPTS.--

25 A. Receipts of a reservation fund from a franchisor

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1 or its franchisees for the purpose of developing, maintaining  
2 or modifying a reservation system are deductible from gross  
3 receipts. Such receipts must be used by the fund for the  
4 primary purposes of developing, operating, maintaining or  
5 modifying a reservation system for the benefit of the  
6 franchisor or franchisees that make payment to the fund.

7 B. Receipts of a franchisor engaged in the  
8 hospitality industry from a franchisee for the purpose of  
9 reimbursing a franchisor for payments made by the franchisor to  
10 travel agents for commission earned for booking a guest in the  
11 franchisee's facility are deductible from gross receipts.

12 C. Receipts of a franchisor engaged in the  
13 hospitality industry from a franchisee for the purpose of  
14 reimbursing a franchisor for the costs of providing training  
15 off the franchisee's premises to a franchisee and its employees  
16 regarding procedures required for compliance with the franchise  
17 agreement are deductible from gross receipts.

18 D. Receipts of an advertising cooperative from  
19 franchisors or franchisees are deductible from gross receipts.  
20 Such receipts must be used by the advertising cooperative for  
21 the primary purpose of procuring advertising or marketing  
22 services for the benefit of the members that make payments to  
23 it.

24 E. For the purposes of this section:

25 (1) "advertising cooperative" means any form

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1 of pooling of funds or other cost-sharing arrangement that is  
2 contractually or otherwise limited to expending the funds only  
3 on advertising and marketing, including:

4 (a) any form of escrow, actual or  
5 constructive trust or segregated account; or

6 (b) any entity that directly or  
7 indirectly derives receipts from its members or other  
8 contributors for the primary purpose of procuring advertising  
9 or marketing services for the benefit of the members;

10 (2) "hospitality industry" means a hotel,  
11 motel, resort or similar facility that provides accommodations  
12 for overnight stays; and

13 (3) "reservation fund" means any form of  
14 pooling of funds or other cost-sharing arrangements in which a  
15 franchisor is contractually or otherwise limited to expending  
16 the funds for the primary purposes of developing, operating,  
17 maintaining and modifying a reservation system, including:

18 (a) any form of escrow, actual or  
19 constructive trust or segregated account maintained by a  
20 franchisor; or

21 (b) any entity designated by a franchisor  
22 that directly or indirectly derives receipts from a franchisor  
23 or its franchisees for the primary purposes of developing,  
24 operating, maintaining or modifying a reservation system for  
25 the benefit of the franchisor or its franchisees. "

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1 Section 9. Section 7-9-77.1 NMSA 1978 (being Laws 1998,  
2 Chapter 96, Section 1, as amended) is amended to read:

3 "7-9-77.1. DEDUCTION--GROSS RECEIPTS TAX--CERTAIN  
4 MEDICAL AND HEALTH CARE SERVICES. --

5 A. Receipts of any person from payments by the  
6 United States government or any agency thereof for provision of  
7 medical and other health services, [~~by medical doctors and~~  
8 ~~osteopaths or of medical, other health and palliative services~~  
9 ~~by a~~] hospice care or home health services to medicare  
10 beneficiaries pursuant to the provisions of Title [~~XVIII~~] 18 of  
11 the federal Social Security Act may be deducted from gross  
12 receipts.

13 B. Receipts from payments by a third-party  
14 administrator of the federal TRICARE program for provision of  
15 medical and other health services by medical doctors and  
16 osteopathic physicians to covered beneficiaries may be deducted  
17 from gross receipts.

18 [~~B.~~] C. For the purposes of this section:

19 [(1) ~~"hospice" means a for-profit entity~~  
20 ~~licensed and certified by the department of health as a~~  
21 ~~hospice; and]~~

22 (1) "home health services" means "home health  
23 services" as defined in 42 USCA 1395x(m) for purposes of Title  
24 18 of the federal Social Security Act;

25 (2) "hospice care" means "hospice care" as

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1 defined in 42 USCA 1395x(dd) for purposes of Title 18 of the  
2 federal Social Security Act;

3 (3) "medical and other health services" means  
4 "medical and other health services" as defined in 42 USCA  
5 1395x(s) for purposes of Title 18 of the federal Social  
6 Security Act;

7 [~~(2)~~] (4) "medical [~~doctors and osteopaths~~]  
8 doctor" means [persons] a person licensed as a physician to  
9 practice [under Section 61-6-11 or 61-10-11 NMSA 1978] medicine  
10 pursuant to the provisions of the Medical Practice Act;

11 (5) "osteopathic physician" means a person  
12 licensed as an osteopathic physician pursuant to the provisions  
13 of Chapter 61, Article 10 NMSA 1978; and

14 (6) "TRICARE program" means the program  
15 defined in 10 USCA 1072(7). "

16 Section 10. REPEAL. --Laws 1999, Chapter 217, Section 4  
17 is repealed.

18 Section 11. APPLICABILITY. --

19 A. The provisions of Sections 1 and 4 through 7 of  
20 this act apply to taxable years beginning on or after January  
21 1, 2001.

22 B. The provisions of Section 2 this act apply to  
23 taxable years beginning in 2001.

24 C. The provisions of Section 3 of this act apply to  
25 taxable years beginning on or after January 1, 2002.

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1 Section 12. EFFECTIVE DATE. --

2 A. The effective date of the provisions of Sections  
3 8 through 10 of this act is July 1, 2001.

4 B. The effective date of the provisions of Section 3  
5 of this act is January 1, 2002.

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underscored material = new  
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