

SENATE FINANCE COMMITTEE SUBSTITUTE FOR  
SENATE FINANCE COMMITTEE SUBSTITUTE FOR  
SENATE BILL 124 AND SENATE BILLS 213, 343 & 43

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

AN ACT

RELATING TO TAXATION; REDUCING INCOME TAX RATES OVER TWO YEARS;  
ADDING ADDITIONAL EXEMPTIONS FOR CHILDREN TO THE LOW-INCOME  
COMPREHENSIVE TAX REBATE; CHANGING CERTAIN FILING REQUIREMENTS.

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

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1 of the estate's or trust's income defined as taxable income and  
2 upon which the federal income tax is calculated in the Internal  
3 Revenue Code for income tax purposes plus, for taxable years  
4 beginning on or after January 1, 1991, the amount of the net  
5 operating loss deduction allowed by Section 172(a) of the  
6 Internal Revenue Code, as that section may be amended or  
7 renumbered, and taken by the taxpayer for that year;

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

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

23 C. "compensation" means wages, salaries,  
24 commissions and any other form of remuneration paid to  
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1 employees for personal services;

2 D. "department" means the taxation and revenue  
3 department, the secretary of taxation and revenue or any  
4 employee of the department exercising authority lawfully  
5 delegated to that employee by the secretary;

6 E. "fiduciary" means a guardian, trustee, executor,  
7 administrator, committee, conservator, receiver, individual or  
8 corporation acting in any fiduciary capacity;

9 F. "filing status" means "married filing joint  
10 returns", "married filing separate returns", "head of  
11 household", "surviving spouse" and "single", as those terms are  
12 generally defined for federal tax purposes;

13 G. "fiscal year" means any accounting period of  
14 twelve months ending on the last day of any month other than  
15 December;

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

18 I. "individual" means a natural person, an estate,  
19 a trust or a fiduciary acting for a natural person, trust or  
20 estate;

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

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

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

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

3 (16) social security benefits;

4 (17) unemployment compensation benefits;

5 (18) workers' compensation benefits;

6 (19) public assistance and welfare benefits;

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

8 (21) gifts;

9 M "modified gross income" does not include:

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

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

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

20 (4) payments made pursuant to Sections  
21 7-2-14, [~~7-2-14-1~~] 7-2-18, 7-2-18.1 and 7-3-9 NMSA 1978;

22 N. "net income" means, for estates and trusts, base  
23 income adjusted to exclude amounts that the state is prohibited  
24 from taxing because of the laws or constitution of this state  
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1 or the United States and means, for taxpayers other than  
2 estates or trusts, base income adjusted to exclude:

3 (1) an amount equal to the standard deduction  
4 allowed the taxpayer for the taxpayer's taxable year by Section  
5 63 of the Internal Revenue Code, as that section may be amended  
6 or renumbered;

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

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

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

19 (5) other amounts that the state is prohibited  
20 from taxing because of the laws or constitution of this state  
21 or the United States;

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

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

4 (b) net operating loss carryover  
5 deductions to that year claimed and allowed; and

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

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

15 (b) in the case of amended returns or  
16 original returns not timely filed, in the first taxable year  
17 beginning after the date on which the return or amended return  
18 establishing the net operating loss is filed; and

19 (c) in either case, if the net operating  
20 loss carryover exceeds the amount of net income exclusive of  
21 the net operating loss carryover for the taxable year to which  
22 the exclusion first applies, in the next four succeeding  
23 taxable years in turn until the net operating loss carryover is  
24 exhausted; in no event shall a net operating loss carryover be  
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1 excluded in any taxable year after the fourth taxable year  
2 beginning after the taxable year to which the exclusion first  
3 applies;

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

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

14 Q. "nonresident" means every individual not a  
15 resident of this state;

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

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

6 T. "secretary" means the secretary of taxation and  
7 revenue or the secretary's delegate;

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

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

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

20 X. "taxable income" means net income less any lump-  
21 sum amount;

22 Y. "taxable year" means the calendar year or fiscal  
23 year upon the basis of which the net income is computed under  
24 the Income Tax Act and includes, in the case of the return made  
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1 for a fractional part of a year under the provisions of the  
2 Income Tax Act, the period for which the return is made; [and]

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

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

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

11 "7-2-7. INDIVIDUAL INCOME TAX RATES. --The tax imposed by  
12 Section 7-2-3 NMSA 1978 shall be at the following rates for any  
13 taxable year beginning [~~on or after January 1, 1998~~] in 2001:

14 A. For married individuals filing separate returns:

| 15 If the taxable income is:                        | The tax shall be:                 |
|---|-----------------------------------|
| 16 [ <del>Not over \$4,000</del>                    | <del>1.7% of taxable income</del> |
| 17 <del>Over \$ 4,000 but not over \$ 8,000</del>   | <del>\$ 68.00 plus 3.2% of</del>  |
| 18 <del>excess over \$ 4,000</del>                  | <del>excess over \$ 4,000</del>   |
| 19 <del>Over \$ 8,000 but not over \$ 12,000</del>  | <del>\$ 196 plus 4.7% of</del>    |
| 20 <del>excess over \$ 8,000</del>                  | <del>excess over \$ 8,000</del>   |
| 21 <del>Over \$ 12,000 but not over \$ 20,000</del> | <del>\$ 384 plus 6.0% of</del>    |
| 22 <del>excess over \$ 12,000</del>                 | <del>excess over \$ 12,000</del>  |
| 23 <del>Over \$ 20,000 but not over \$ 32,000</del> | <del>\$ 864 plus 7.1% of</del>    |
| 24 <del>excess over \$ 20,000</del>                 | <del>excess over \$ 20,000</del>  |

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

18 B. For surviving spouses and married individuals  
19 filing joint returns:

|    |  |                                   |
|----|--|-----------------------------------|
| 20 | If the taxable income is:                        | The tax shall be:                 |
| 21 | <del>[Not over \$8,000</del>                     | <del>1.7% of taxable income</del> |
| 22 | <del>Over \$ 8,000 but not over \$ 16,000</del>  | <del>\$ 136 plus 3.2% of</del>    |
| 23 |  | <del>excess over \$ 8,000</del>   |
| 24 | <del>Over \$ 16,000 but not over \$ 24,000</del> | <del>\$ 392 plus 4.7% of</del>    |

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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 \$3,000 \$ 0  
11 Over \$ 3,000 but not over \$ 10,500 2.0% of excess over  
12 \$3,000  
13 Over \$ 10,500 but not over \$ 16,000 \$ 150 plus 3.2% of  
14 excess over \$10,500  
15 Over \$ 16,000 but not over \$ 24,000 \$ 326 plus 4.7% of  
16 excess over \$16,000  
17 Over \$ 24,000 but not over \$ 40,000 \$ 702 plus 6.0% of  
18 excess over \$24,000  
19 Over \$ 40,000 but not over \$ 64,000 \$1,662 plus 7.1% of  
20 excess over \$40,000  
21 Over \$ 64,000 \$3,366 plus 7.9% of  
22 excess over \$ 64,000.

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

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

4 D. For heads of household filing returns:

5 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  
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|   |  |                              |
|---|--|------------------------------|
| 1 |  | <u>excess over \$14,000</u>  |
| 2 | <u>Over \$ 20,000 but not over \$ 33,000</u> | <u>\$ 584 plus 6.0% of</u>   |
| 3 |  | <u>excess over \$20,000</u>  |
| 4 | <u>Over \$ 33,000 but not over \$ 53,000</u> | <u>\$1,364 plus 7.1% of</u>  |
| 5 |  | <u>excess over \$33,000</u>  |
| 6 | <u>Over \$ 53,000</u>                        | <u>\$2,784 plus 7.9% of</u>  |
| 7 |  | <u>excess over \$53,000.</u> |

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

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

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

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

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

| 2  | If the taxable income is:             | The tax shall be:     |
|----|---------------------------------------|-----------------------|
| 3  | Not over \$2,200                      | \$ 0                  |
| 4  | Over \$ 2,200 but not over \$ 5,100   | 2.0% of excess over   |
| 5  |                                       | \$2,200               |
| 6  | Over \$ 5,100 but not over \$ 8,000   | \$ 58.00 plus 3.0% of |
| 7  |                                       | excess over \$5,100   |
| 8  | Over \$ 8,000 but not over \$ 12,000  | \$ 145 plus 4.5% of   |
| 9  |                                       | excess over \$8,000   |
| 10 | Over \$ 12,000 but not over \$ 20,000 | \$ 325 plus 6.0% of   |
| 11 |                                       | excess over \$12,000  |
| 12 | Over \$ 20,000 but not over \$ 50,000 | \$ 805 plus 7.1% of   |
| 13 |                                       | excess over \$20,000  |
| 14 | Over \$ 50,000                        | \$ 2,935 plus 7.8% of |
| 15 |                                       | excess over \$50,000. |

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

| 18 | If the taxable income is:             | The tax shall be:    |
|----|---------------------------------------|----------------------|
| 19 | Not over \$4,400                      | \$ 0                 |
| 20 | Over \$ 4,400 but not over \$ 10,200  | 2.0% of excess over  |
| 21 |                                       | \$4,400              |
| 22 | Over \$ 10,200 but not over \$ 16,000 | \$ 116 plus 3.0% of  |
| 23 |                                       | excess over \$10,200 |
| 24 | Over \$ 16,000 but not over \$ 24,000 | \$ 290 plus 4.5% of  |
| 25 |                                       |                      |

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1 excess over \$16,000  
2 Over \$ 24,000 but not over \$ 40,000 \$ 650 plus 6.0% of  
3 excess over \$24,000  
4 Over \$ 40,000 but not over \$100,000 \$1,610 plus 7.1% of  
5 excess over \$40,000  
6 Over \$100,000 \$5,870 plus 7.8% of  
7 excess over \$100,000.

8 C. For single individuals and for estates and  
9 trusts:

| 10 If the taxable income is:             | The tax shall be:                                |
|--|--|
| 11 Not over \$2,200                      | \$ 0   |
| 12 Over \$ 2,200 but not over \$ 6,000   | 2.0% of excess over<br>13 \$2,200                |
| 14 Over \$ 6,000 but not over \$ 11,000  | \$ 76.00 plus 3.0% of<br>15 excess over \$6,000  |
| 16 Over \$ 11,000 but not over \$ 16,000 | \$ 226 plus 4.5% of<br>17 excess over \$11,000   |
| 18 Over \$ 16,000 but not over \$ 26,000 | \$ 451 plus 6.0% of<br>19 excess over \$16,000   |
| 20 Over \$ 26,000 but not over \$ 65,000 | \$1,051 plus 7.1% of<br>21 excess over \$26,000  |
| 22 Over \$ 65,000                        | \$3,820 plus 7.8% of<br>23 excess over \$65,000. |

24 D. For heads of household filing returns:  
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| 1  | If the taxable income is:             | The tax shall be:     |
|----|---------------------------------------|-----------------------|
| 2  | Not over \$3,300                      | \$ 0                  |
| 3  | Over \$ 3,300 but not over \$ 8,000   | 2.0% of excess over   |
| 4  |                                       | \$3,300               |
| 5  | Over \$ 8,000 but not over \$ 14,000  | \$ 94.00 plus 3.0% of |
| 6  |                                       | excess over \$8,000   |
| 7  | Over \$ 14,000 but not over \$ 20,000 | \$ 274 plus 4.5% of   |
| 8  |                                       | excess over \$14,000  |
| 9  | Over \$ 20,000 but not over \$ 33,000 | \$ 544 plus 6.0% of   |
| 10 |                                       | excess over \$20,000  |
| 11 | Over \$ 33,000 but not over \$ 83,000 | \$1,324 plus 7.1% of  |
| 12 |                                       | excess over \$33,000  |
| 13 | Over \$ 83,000                        | \$4,874 plus 7.8% of  |
| 14 |                                       | excess over \$83,000. |

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

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

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

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

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

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

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

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

16 B. Unless otherwise required under the Income Tax  
17 Act or prescription of the secretary, in completing a return  
18 for a taxable year, the taxpayer shall declare the same  
19 filing status and number of personal exemptions as the  
20 taxpayer declared for federal income tax purposes for that  
21 same taxable year or, if the taxpayer was not required to  
22 file a federal income tax return for the taxable year, the  
23 filing status and number of personal exemptions that would  
24 have been required or allowed for that taxpayer by the  
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1 Internal Revenue Code and regulations thereunder for the  
2 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 5. Section 7-2-14 NMSA 1978 (being Laws 1972,  
8 Chapter 20, Section 2, as amended) is amended to read:

9 "7-2-14. LOW-INCOME COMPREHENSIVE TAX REBATE. --

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

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

5 C. For the purposes of this section, the total  
6 number of exemptions for which a tax rebate may be claimed or  
7 allowed is determined by adding the number of federal  
8 exemptions allowable for federal income tax purposes for each  
9 individual included in the return who is domiciled in New  
10 Mexico plus:

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

14 (2) one additional exemption for each  
15 individual domiciled in New Mexico included in the return  
16 who, for federal income tax purposes, is blind; ~~[plus one~~  
17 ~~exemption]~~

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

20 (4) three exemptions for each minor child or  
21 stepchild of the resident who would be a dependent for  
22 federal income tax purposes if the public assistance  
23 contributing to the support of the child or stepchild was  
24 considered to have been contributed by the resident.  
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D. The tax rebate provided for in this section may be claimed in the amount shown in the following table:

| Modified gross income is: | And the total number of exemptions is: |              |        |        |        |        |        |           |
|---------------------------|--|--------------|--------|--------|--------|--------|--------|-----------|
|                           | \$ Over                                | But Not Over | 1      | 2      | 3      | 4      | 5      | 6 or More |
| \$ 0                      | \$ 500                                 | \$ 120       | \$ 160 | \$ 200 | \$ 240 | \$ 280 | \$ 320 |           |
| 500                       | 1,000                                  | 135          | 195    | 250    | 310    | 350    | 415    |           |
| 1,000                     | 1,500                                  | 135          | 195    | 250    | 310    | 350    | 435    |           |
| 1,500                     | 2,000                                  | 135          | 195    | 250    | 310    | 350    | 450    |           |
| 2,000                     | 2,500                                  | 135          | 195    | 250    | 310    | 350    | 450    |           |
| 2,500                     | 3,000                                  | 135          | 195    | 250    | 310    | 350    | 450    |           |
| 3,000                     | 3,500                                  | 135          | 195    | 250    | 310    | 350    | 450    |           |
| 3,500                     | 4,000                                  | 135          | 195    | 250    | 310    | 355    | 450    |           |
| 4,000                     | 4,500                                  | 135          | 195    | 250    | 310    | 355    | 450    |           |
| 4,500                     | 5,000                                  | 125          | 190    | 240    | 305    | 355    | 450    |           |
| 5,000                     | 5,500                                  | 115          | 175    | 230    | 295    | 355    | 430    |           |
| 5,500                     | 6,000                                  | 105          | 155    | 210    | 260    | 315    | 410    |           |
| 6,000                     | 7,000                                  | 90           | 130    | 170    | 220    | 275    | 370    |           |
| 7,000                     | 8,000                                  | 80           | 115    | 145    | 180    | 225    | 295    |           |
| 8,000                     | 9,000                                  | 70           | 105    | 135    | 170    | 195    | 240    |           |
| 9,000                     | 10,000                                 | 65           | 95     | 115    | 145    | 175    | 205    |           |
| 10,000                    | 11,000                                 | 60           | 80     | 100    | 130    | 155    | 185    |           |
| 11,000                    | 12,000                                 | 55           | 70     | 90     | 110    | 135    | 160    |           |

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|    |         |         |    |    |    |     |     |     |
|----|---------|---------|----|----|----|-----|-----|-----|
| 1  | 12, 000 | 13, 000 | 50 | 65 | 85 | 100 | 115 | 140 |
| 2  | 13, 000 | 14, 000 | 50 | 65 | 85 | 100 | 115 | 140 |
| 3  | 14, 000 | 15, 000 | 45 | 60 | 75 | 90  | 105 | 120 |
| 4  | 15, 000 | 16, 000 | 40 | 55 | 70 | 85  | 95  | 110 |
| 5  | 16, 000 | 17, 000 | 35 | 50 | 65 | 80  | 85  | 105 |
| 6  | 17, 000 | 18, 000 | 30 | 45 | 60 | 70  | 80  | 95  |
| 7  | 18, 000 | 19, 000 | 25 | 35 | 50 | 60  | 70  | 80  |
| 8  | 19, 000 | 20, 000 | 20 | 30 | 40 | 50  | 60  | 65  |
| 9  | 20, 000 | 21, 000 | 15 | 25 | 30 | 40  | 50  | 55  |
| 10 | 21, 000 | 22, 000 | 10 | 20 | 25 | 35  | 40  | 45. |

11           E. If a taxpayer's modified gross income is zero,  
12 the taxpayer may claim a credit in the amount shown in the  
13 first row of the table appropriate for the taxpayer's number of  
14 exemptions.

15           F. The tax rebates provided for in this section may  
16 be deducted from the taxpayer's New Mexico income tax liability  
17 for the taxable year. If the tax rebates exceed the taxpayer's  
18 income tax liability, the excess shall be refunded to the  
19 taxpayer.

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

4 Section 6. APPLICABILITY. --

5 A. The provisions of Sections 1, 4 and 5 of this act  
6 apply to taxable years beginning on or after January 1, 2001.

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

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