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HOUSE BILL 5

45TH LEGISLATURE - STATE OF NEW MEXICO - FIRST EXTRAORDINARY SESSION, 2002

INTRODUCED BY

Joe Mohorovic

AN ACT

**RELATING TO TAXATION; ELIMINATING THE GROSS RECEIPTS TAX
DEDUCTION OF GROSS RECEIPTS FROM THE SALE OF NEWSPAPERS;
CREATING A JOB MENTORSHIP CREDIT AGAINST INDIVIDUAL AND
CORPORATE INCOME TAX.**

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

**Section 1. A new section of the Income Tax Act is
enacted to read:**

"[NEW MATERIAL] JOB MENTORSHIP TAX CREDIT. --

**A. To encourage New Mexico businesses to hire
youth participating in career preparation education programs,
a taxpayer who files an individual New Mexico income tax
return, who is not a dependent of another individual and who
is an owner of a New Mexico business may claim a credit in an
amount equal to fifty percent of gross wages paid to qualified**

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

4 B. A taxpayer who is an owner of a New Mexico
5 business may claim the job mentorship tax credit provided in
6 this section for each taxable year in which the business
7 employs one or more qualified students. The maximum aggregate
8 credit allowable shall not exceed fifty percent of the gross
9 wages paid to not more than ten qualified students employed by
10 the business for up to three hundred twenty hours of
11 employment of each qualified student in each taxable year for
12 a maximum of three taxable years for each qualified student.
13 A taxpayer shall not claim a credit in excess of twelve
14 thousand dollars (\$12,000) in any taxable year. The taxpayer
15 shall certify that hiring the qualified student does not
16 displace or replace a current employee.

17 C. The number of qualified students whose
18 employment qualifies for a job mentorship tax credit pursuant
19 to this section or the Corporate Income and Franchise Tax Act
20 shall be limited to seven hundred fifty qualified students in
21 a calendar year. The department shall issue job mentorship
22 tax credit certificates upon request to any accredited New
23 Mexico secondary school that has a school-sanctioned career
24 preparation education program. The certificates shall be
25 issued in the order in which they are requested, but no more

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1 than seven hundred fifty certificates shall be issued in a
2 calendar year. The maximum number of certificates that may be
3 issued in a school year to any one school is equal to the
4 number of qualified students in the school-sanctioned career
5 preparation education program on October 15 of that school
6 year, as certified by the school principal.

7 D. A job mentorship tax credit certificate may be
8 executed by a school principal with respect to a qualified
9 student, and the executed certificate may be transferred to a
10 New Mexico business that employs that student. By executing
11 the certificate with respect to a student, the school
12 principal certifies that the school has a school-sanctioned
13 career preparation education program and that the student is a
14 qualified student.

15 E. To claim the credit pursuant to this section,
16 the taxpayer must submit with respect to each employee for
17 whom the credit is claimed:

- 18 (1) a properly executed 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
25 claiming a job mentorship tax credit for that employee

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1 pursuant to this section or the Corporate Income and Franchise
2 Tax Act.

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

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

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

25 I. As used in this section:

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1 (1) "career preparation education program"
2 means a work-based learning or school-to-career program
3 designed for secondary school students to create academic and
4 career goals and objectives and to find employment in a job
5 meeting those 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
11 than three hundred full-time employees at any one time during
12 the taxable year; and

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

19 Section 2. A new section of the Corporate Income and
20 Franchise Tax Act is enacted to read:

21 "[NEW MATERIAL] JOB MENTORSHIP TAX CREDIT. --

22 A. To encourage New Mexico businesses to hire
23 youth participating in career preparation education programs,
24 a taxpayer that is a New Mexico business and that files a
25 corporate income tax return may claim a credit in an amount

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1 equal to fifty percent of gross wages paid to qualified
2 students who are employed by the taxpayer during the taxable
3 year for which the return is filed. The tax credit may be
4 known as the "job mentorship tax credit".

5 B. A taxpayer may claim the job mentorship tax
6 credit provided in this section for each taxable year in which
7 the taxpayer employs one or more qualified students. The
8 maximum aggregate credit allowable shall not exceed fifty
9 percent of the gross wages paid to not more than ten qualified
10 students employed by the taxpayer for up to three hundred
11 twenty hours of employment of each qualified student in each
12 taxable year for a maximum of three taxable years for each
13 qualified student. A taxpayer shall not claim a credit in
14 excess of twelve thousand dollars (\$12,000) in any taxable
15 year. The employer shall certify that hiring the qualified
16 student does not displace or replace a current employee.

17 C. The number of qualified students whose
18 employment qualifies for a job mentorship tax credit pursuant
19 to this section or the Income Tax Act shall be limited to
20 seven hundred fifty qualified students in a calendar year.
21 The department shall issue job mentorship tax credit
22 certificates upon request to any accredited New Mexico
23 secondary school that has a school-sanctioned career
24 preparation education program. The certificates shall be
25 issued in the order in which they are requested, but no more

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2 calendar year. The maximum number of certificates that may be
3 issued in a school year to any one school is equal to the
4 number of qualified students in the school-sanctioned career
5 preparation education program on October 15 of that school
6 year, as certified by the school principal.

7 D. A job mentorship tax credit certificate may be
8 executed by a school principal with respect to a qualified
9 student, and the executed certificate may be transferred to a
10 New Mexico business that employs that student. By executing
11 the certificate with respect to a student, the school
12 principal certifies that the school has a school-sanctioned
13 career preparation education program and that the student is a
14 qualified student.

15 E. To claim the credit under this section, the
16 taxpayer must submit with respect to each employee for whom
17 the credit is claimed:

- 18 (1) a properly executed certificate;
19 (2) information required by the secretary
20 with respect to the employee's employment by the taxpayer
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
25 claiming a job mentorship tax credit for that employee

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1 pursuant to this section or the Income Tax Act.

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

10 G. As used in this section:

11 (1) "career preparation education program"
12 means a work-based learning or school-to-career program
13 designed for secondary school students to create academic and
14 career goals and objectives and to find employment in a job
15 meeting those goals and objectives;

16 (2) "New Mexico business" means a corporation
17 that carries on a trade or business in New Mexico and that
18 employs in New Mexico less than three hundred full-time
19 employees during the taxable year; and

20 (3) "qualified student" means an individual
21 who is at least fourteen years of age but not more than
22 twenty-one years of age, who is attending full time an
23 accredited New Mexico secondary school and who is a
24 participant in a career preparation education program
25 sanctioned by the secondary school. "

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1 Section 3. Section 7-1-12 NMSA 1978 (being Laws 1965,
2 Chapter 248, Section 17, as amended) is amended to read:

3 "7-1-12. IDENTIFICATION OF TAXPAYERS. --

4 A. The secretary by regulation shall establish a
5 system for the registration and identification of taxpayers
6 and shall require taxpayers to comply ~~[therewith]~~ with it.

7 B. The registration system shall be devised so as
8 to facilitate the exchange of information with other states
9 and the United States and to aid in statistical computations.

10 C. The secretary by regulation also shall provide
11 for a system for the registration and identification of
12 purchasers or lessees who, by reason of their status or the
13 nature of their use of property or service purchased or
14 leased, are ordinarily entitled to make nontaxable purchases
15 or leases of some kinds of property or service and may require
16 such purchasers or lessees to comply therewith. Persons who
17 sell newspapers other than for resale are not required to
18 register pursuant to this subsection if:

19 (1) they have no other receipts taxable
20 pursuant to the Gross Receipts and Compensating Tax Act; and

21 (2) their gross receipts from the sale of
22 newspapers are ten million dollars (\$10,000,000) or less in
23 the immediately preceding calendar year.

24 D. Any document, issued by the department under
25 authority of this section, which is required to be posted on

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1 the business premises of the taxpayer shall contain a brief
2 reference to the requirements of Section 7-1-61 NMSA 1978. "

3 Section 4. Section 7-9-64 NMSA 1978 (being Laws 1969,
4 Chapter 144, Section 54) is amended to read:

5 "7-9-64. DEDUCTION--GROSS RECEIPTS TAX--NEWSPAPER
6 SALES.--Receipts from selling newspapers, except from selling
7 advertising space, may be deducted from gross receipts if the
8 seller's gross receipts from the sale of newspapers were ten
9 million dollars (\$10,000,000) or less in the immediately
10 preceding calendar year. "

11 Section 5. APPLICABILITY.--The provisions of this act
12 apply to tax years beginning on or after January 1, 2003.