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HOUSE BILL 148

54TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2020

INTRODUCED BY

Javier Martínez

AN ACT

RELATING TO TAXATION; INCREASING THE AMOUNT OF THE WORKING FAMILIES TAX CREDIT; PROVIDING AN INCREASED AMOUNT OF CREDIT FOR A RESIDENT WHO CLAIMS A QUALIFYING CHILD UNDER THE AGE OF SIX; EXPANDING THE CREDIT TO CERTAIN RESIDENTS WHO ARE INELIGIBLE FOR THE FEDERAL EARNED INCOME TAX CREDIT ON WHICH THE WORKING FAMILIES TAX CREDIT IS BASED; LIMITING THE CAPITAL GAINS DEDUCTION FROM NET INCOME.

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

SECTION 1. Section 7-2-18.15 NMSA 1978 (being Laws 2007, Chapter 45, Section 9, as amended) is amended to read:

"7-2-18.15. WORKING FAMILIES TAX CREDIT.--

A. A taxpayer who is a resident and who files an individual New Mexico income tax return may claim a credit in ~~[an amount equal to seventeen percent]~~ the following

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1 percentages of the federal earned income tax credit for which
2 that [~~individual~~] taxpayer is eligible for the same taxable
3 year [~~pursuant to Section 32 of the Internal Revenue Code~~] or
4 would have been eligible but for the identification number
5 requirement pursuant to 26 U.S.C. 32(m), as that section may be
6 amended or renumbered:

7 (1) for a taxpayer who claims a qualifying
8 child who is under the age of six in the taxable year for which
9 the credit is claimed, thirty percent; and

10 (2) for all other taxpayers, twenty percent.

11 B. A taxpayer who is a resident and who files an
12 individual New Mexico tax return may claim a credit in an
13 amount equal to twenty percent of the federal earned income tax
14 credit for which that taxpayer would have been eligible for the
15 same taxable year but for the age requirement pursuant to
16 26 U.S.C. 32(c)(1)(A)(II), as that section may be amended or
17 renumbered; provided that the taxpayer is at least eighteen
18 years of age but has not reached the age of twenty-five.

19 C. The credit provided in this section may be
20 referred to as the "working families tax credit".

21 [~~B.~~] D. The working families tax credit may be
22 deducted from the income tax liability of an individual who
23 claims the credit and qualifies for the credit pursuant to this
24 section. If the credit exceeds the individual's income tax
25 liability for the taxable year, the excess shall be refunded to

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1 the individual.

2 E. As used in this section:

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

6 (2) "qualifying child" means "qualifying
7 child" as that term is used in 26 U.S.C. 32, as that section
8 may be amended or renumbered."

9 SECTION 2. Section 7-2-34 NMSA 1978 (being Laws 1999,
10 Chapter 205, Section 1, as amended) is amended to read:

11 "7-2-34. DEDUCTION--NET CAPITAL GAIN INCOME.--

12 A. Except as provided in Subsection C of this
13 section, a taxpayer may claim a deduction from net income in an
14 amount equal to [~~the greater of: (1)~~] the taxpayer's net
15 capital gain income for the taxable year for which the
16 deduction is being claimed, but not to exceed one thousand
17 dollars (\$1,000) [~~or~~

18 ~~(2) forty percent of the taxpayer's net~~
19 ~~capital gain income for the taxable year for which the~~
20 ~~deduction is being claimed].~~

21 B. Married individuals who file separate returns
22 for a taxable year in which they could have filed a joint
23 return may each claim only one-half of the deduction provided
24 by this section that would have been allowed on the joint
25 return.

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C. A taxpayer may not claim the deduction provided in Subsection A of this section if the taxpayer has claimed the credit provided in Section 7-2D-8.1 NMSA 1978.

D. As used in this section, "net capital gain" means "net capital gain" as defined in Section 1222 (11) of the Internal Revenue Code."

SECTION 3. APPLICABILITY.--

A. The provisions of Section 1 of this act apply to taxable years beginning on or after January 1, 2020.

B. The provisions of Section 2 of this act apply to taxable years beginning on or after January 1, 2021.