

1 SENATE BILL 211

2 **55TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2021**

3 INTRODUCED BY

4 Peter Wirth

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10 AN ACT

11 RELATING TO TAXATION; INCREASING THE CORPORATE INCOME TAX RATE
12 OVER FIVE YEARS; DECREASING THE GROSS RECEIPTS TAX RATE AND THE
13 COMPENSATING TAX RATE; ADJUSTING CERTAIN DISTRIBUTIONS OF THE
14 COMPENSATING TAX TO KEEP THE AMOUNT OF DISTRIBUTION THE SAME.

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

17 SECTION 1. Section 7-1-6.2 NMSA 1978 (being Laws 1983,
18 Chapter 211, Section 7, as amended) is amended to read:

19 "7-1-6.2. DISTRIBUTION--SMALL CITIES ASSISTANCE FUND.--A
20 distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be
21 made to the small cities assistance fund in an amount equal to
22 [~~fifteen~~] fifteen and three hundred seventy-five thousandths
23 percent of the net receipts attributable to the compensating
24 tax."

25 SECTION 2. Section 7-1-6.5 NMSA 1978 (being Laws 1983,

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1 Chapter 211, Section 10 and Laws 1983, Chapter 214, Section 6,
2 as amended) is amended to read:

3 "7-1-6.5. DISTRIBUTION--SMALL COUNTIES ASSISTANCE FUND.--
4 A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be
5 made to the small counties assistance fund in an amount equal
6 to [~~ten~~] ten and twenty-five hundredths percent of the net
7 receipts attributable to the compensating tax."

8 SECTION 3. Section 7-2A-5 NMSA 1978 (being Laws 1981,
9 Chapter 37, Section 38, as amended) is amended to read:

10 "7-2A-5. CORPORATE INCOME TAX RATES.--The corporate
11 income tax imposed on corporations by Section 7-2A-3 NMSA 1978
12 shall be:

13 A. For taxable years beginning prior to January 1,
14 2022:

15	If the taxable income is:	The tax shall be:
16	Not over \$500,000	4.8% of taxable income
17	Over \$500,000	\$24,000 plus 5.9% of
18		excess over \$500,000.

19 B. For taxable years beginning on or after January
20 1, 2022 and prior to January 1, 2023:

21	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
22	<u>Not over \$500,000</u>	<u>4.8% of taxable income</u>
23	<u>Over \$500,000</u>	<u>\$24,000 plus 6.2% of</u>
24		<u>excess over \$500,000.</u>

25 C. For taxable years beginning on or after January

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1 1, 2023 and prior to January 1, 2024:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
2 <u>Not over \$500,000</u>	<u>4.8% of taxable income</u>
3 <u>Over \$500,000 but not over \$1,000,000</u>	<u>\$24,000 plus 6.4% of</u>
4	<u>excess over \$500,000</u>
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6 <u>Over \$1,000,000</u>	<u>\$56,000 plus 6.6% of</u>
7	<u>excess over \$1,000,000.</u>

8 D. For taxable years beginning on or after January
9 1, 2024 and prior to January 1, 2025:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
10 <u>Not over \$500,000</u>	<u>4.8% of taxable income</u>
11 <u>Over \$500,000 but not over \$1,000,000</u>	<u>\$24,000 plus 6.4% of</u>
12	<u>excess over \$500,000</u>
13	
14 <u>Over \$1,000,000</u>	<u>\$56,000 plus 6.9% of</u>
15	<u>excess over \$1,000,000</u>

16 E. For taxable years beginning on or after January
17 1, 2025 and prior to January 1, 2026:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
18 <u>Not over \$500,000</u>	<u>4.8% of taxable income</u>
19 <u>Over \$500,000 but not over \$1,000,000</u>	<u>\$24,000 plus 6.4% of</u>
20	<u>excess over \$500,000</u>
21	
22 <u>Over \$1,000,000</u>	<u>\$56,000 plus 7.3% of</u>
23	<u>excess over \$1,000,000.</u>

24 F. For taxable years beginning on or after January
25 1, 2026:

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<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$500,000</u>	<u>4.8% of taxable income</u>
<u>Over \$500,000 but not over \$1,000,000</u>	<u>\$24,000 plus 6.4% of</u>
	<u>excess over \$500,000</u>
<u>Over \$1,000,000</u>	<u>\$56,000 plus 7.6% of</u>
	<u>excess over \$1,000,000."</u>

7 SECTION 4. Section 7-9-4 NMSA 1978 (being Laws 1966,
8 Chapter 47, Section 4, as amended) is amended to read:

9 "7-9-4. IMPOSITION AND RATE OF TAX--DENOMINATION AS
10 "GROSS RECEIPTS TAX".--

11 A. For the privilege of engaging in business, an
12 excise tax equal to five [~~and one-eighth~~] percent of gross
13 receipts is imposed on any person engaging in business in New
14 Mexico.

15 B. The tax imposed by this section shall be
16 referred to as the "gross receipts tax".

17 SECTION 5. Section 7-9-7 NMSA 1978 (being Laws 1966,
18 Chapter 47, Section 7, as amended) is amended to read:

19 "7-9-7. IMPOSITION AND RATE OF TAX--DENOMINATION AS
20 "COMPENSATING TAX".--

21 A. For the privilege of using tangible property in
22 New Mexico, there is imposed on the person using the property
23 an excise tax equal to five [~~and one-eighth~~] percent of the
24 value of tangible property that was:

25 (1) manufactured by the person using the

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1 property in the state; or

2 (2) acquired inside or outside of this state
3 as the result of a transaction with a person located outside
4 this state that would have been subject to the gross receipts
5 tax had the tangible personal property been acquired from a
6 person with nexus with New Mexico.

7 B. For the purpose of Subsection A of this section,
8 value of tangible property shall be the adjusted basis of the
9 property for federal income tax purposes determined as of the
10 time of acquisition or introduction into this state or of
11 conversion to use, whichever is later. If no adjusted basis
12 for federal income tax purposes is established for the
13 property, a reasonable value of the property shall be used.

14 C. For the privilege of using a license or
15 franchise in New Mexico, there is imposed on the person using
16 the license or franchise an excise tax equal to the rate
17 provided in Subsection A of this section against the value of
18 the license or franchise in its use in this state. The
19 department by rule, ruling or instruction shall fairly
20 apportion, where appropriate, the value of a license or
21 franchise to its value in use in New Mexico. For use of a
22 license or franchise to be taxable under this subsection, the
23 value of the license or franchise shall be acquired inside or
24 outside this state as the result of a transaction with a person
25 located outside this state that would have been subject to the

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1 gross receipts tax had the license or franchise been acquired
2 from a person with nexus with this state.

3 D. For the privilege of using services in New
4 Mexico, there is imposed on the person using the services an
5 excise tax equal to the rate provided in Subsection A of this
6 section against the value of the services at the time the
7 product of the service was acquired. For use of services to be
8 taxable under this subsection, the services shall have been
9 performed by a person outside this state and the product of the
10 service was acquired inside or outside this state as the result
11 of a transaction with a person located outside this state that
12 would have been subject to the gross receipts tax had the
13 service or product of the service been acquired from a person
14 with nexus with this state.

15 E. The tax imposed by this section shall be
16 referred to as the "compensating tax".

17 SECTION 6. EFFECTIVE DATE.--The effective date of the
18 provisions of this act is July 1, 2021.

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