

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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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:

If the taxable income is:	The tax shall be:
[Not over \$4,000	1.7% of taxable income
Over \$ 4,000 but not over \$ 8,000	\$ 68.00 plus 3.2% of excess over \$ 4,000
Over \$ 8,000 but not over \$ 12,000	\$ 196 plus 4.7% of excess over \$ 8,000
Over \$ 12,000 but not over \$ 20,000	\$ 384 plus 6.0% of

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

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

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

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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 [Not over \$5,500	1.7% of taxable income
4 Over \$ 5,500 but not over \$ 11,000	\$ 93.50 plus 3.2% of
5	excess over \$ 5,500
6 Over \$ 11,000 but not over \$ 16,000	\$ 269.50 plus 4.7% of
7	excess over \$ 11,000
8 Over \$ 16,000 but not over \$ 26,000	\$ 504.50 plus 6.0% of
9	excess over \$ 16,000
10 Over \$ 26,000 but not over \$ 42,000	\$1,104.50 plus 7.1% of
11	excess over \$ 26,000
12 Over \$ 42,000 but not over \$ 65,000	\$2,240.50 plus 7.9% of
13	excess over \$ 42,000
14 Over \$ 65,000	\$4,057.50 plus 8.2% of
15	excess over \$ 65,000]
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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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.

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

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

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

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

23 "7-2-12. TAXPAYER RETURNS--PAYMENT OF TAX.--

24 A. Every resident of this state and every
25 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	[\$ 0	\$ 500	\$ 120	\$ 160	\$ 200	\$ 240	\$ 280	\$ 320

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

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1	20,000	21,000	15	25	30	40	50	55
2	21,000	22,000	10	20	25	35	40	45]
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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17,000	18,000	35	50	65	80	90	105
18,000	19,000	30	40	55	65	75	90
19,000	20,000	25	35	45	55	65	70
20,000	21,000	20	30	35	45	55	60
21,000	22,000	15	25	30	40	45	50.

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

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

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

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

"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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