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HOUSE BILL 385

**47TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2006**

INTRODUCED BY

Janice E. Arnold-Jones

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO TAXATION; EXPANDING A PERSONAL INCOME TAX EXEMPTION  
FOR LOW- AND MIDDLE-INCOME TAXPAYERS.

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

Section 1. Section 7-2-5.8 NMSA 1978 (being Laws 2005,  
Chapter 104, Section 5) is amended to read:

"7-2-5.8. EXEMPTION FOR LOW- AND MIDDLE-INCOME  
TAXPAYERS.--

A. An individual may claim an exemption in an  
amount specified in Subsections B through D of this section not  
to exceed an amount equal to the number of federal exemptions  
multiplied by two thousand five hundred dollars (\$2,500) of  
income includable, except for this exemption, in net income.  
Individuals having income both within and without this state  
shall apportion this exemption in accordance with regulations

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1 of the secretary.

2 B. For a married individual filing a separate  
3 return [~~with adjusted gross income up to twenty thousand three~~  
4 ~~hundred thirty-three dollars (\$20,333)]:~~

5 (1) if the adjusted gross income is not over  
6 twelve thousand dollars (\$12,000), the amount of the exemption  
7 pursuant to this section shall be two thousand five hundred  
8 dollars (\$2,500) for each federal exemption; and

9 (2) if the adjusted gross income is over  
10 twelve thousand dollars (\$12,000) [~~but not over twenty thousand~~  
11 ~~three hundred thirty-three dollars (\$20,333)],~~ the amount of  
12 the exemption pursuant to this section for each federal  
13 exemption shall be calculated as follows:

14 (a) two thousand five hundred dollars  
15 (\$2,500); less

16 (b) twenty percent of the amount  
17 obtained by subtracting twelve thousand dollars (\$12,000) from  
18 the adjusted gross income.

19 C. For single individuals [~~with adjusted gross~~  
20 ~~income up to twenty-seven thousand one hundred ten dollars~~  
21 ~~(\$27,110)]:~~

22 (1) if the adjusted gross income is not over  
23 sixteen thousand dollars (\$16,000), the amount of the exemption  
24 pursuant to this section shall be two thousand five hundred  
25 dollars (\$2,500) for each federal exemption; and

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1 (2) if the adjusted gross income is over  
2 sixteen thousand dollars (\$16,000) [~~but not over twenty seven~~  
3 ~~thousand one hundred ten dollars (\$27,110)~~], the amount of the  
4 exemption pursuant to this section for each federal exemption  
5 shall be calculated as follows:

6 (a) two thousand five hundred dollars  
7 (\$2,500); less

8 (b) fifteen percent of the amount  
9 obtained by subtracting sixteen thousand dollars (\$16,000) from  
10 the adjusted gross income.

11 D. For married individuals filing joint returns,  
12 surviving spouses or for heads of households [~~with adjusted~~  
13 ~~gross income up to forty thousand six hundred sixty seven~~  
14 ~~dollars (\$40,667)~~]:

15 (1) if the adjusted gross income is not over  
16 twenty-four thousand dollars (\$24,000), the amount of the  
17 exemption pursuant to this section shall be two thousand five  
18 hundred dollars (\$2,500) for each federal exemption; and

19 (2) if the adjusted gross income is over  
20 twenty-four thousand dollars (\$24,000) [~~but not over forty~~  
21 ~~thousand six hundred sixty seven dollars (\$40,667)~~], the amount  
22 of the exemption pursuant to this section for each federal  
23 exemption shall be calculated as follows:

24 (a) two thousand five hundred dollars  
25 (\$2,500); less

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1 (b) ten percent of the amount obtained  
2 by subtracting twenty-four thousand dollars (\$24,000) from the  
3 adjusted gross income.

4 E. For the purposes of this section, "federal  
5 exemption" means an exemption allowable for federal income tax  
6 purposes for an individual included in the return who is  
7 domiciled in New Mexico."

8 Section 2. APPLICABILITY.--The provisions of this act  
9 apply to taxable years beginning on or after January 1, 2006.

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