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HOUSE BILL 507

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

INTRODUCED BY

Harriet I. Ruiz

AN ACT

RELATING TO TAXATION; PROVIDING FOR AN INCOME TAX CREDIT FOR  
LOW-INCOME NEW MEXICO RESIDENTS FOR MOTOR VEHICLE LIABILITY  
INSURANCE COVERAGE.

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] MOTOR VEHICLE LIABILITY INSURANCE TAX  
CREDIT--LOW-INCOME RESIDENTS.--

A. Except as otherwise provided in this section, a  
resident who files an individual New Mexico income tax return,  
who is not a dependent of another taxpayer and who meets the  
eligibility requirements of Subsection C of this section may  
claim a credit in an amount not to exceed one hundred fifty  
dollars (\$150) of motor vehicle liability insurance coverage

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1 required by the Mandatory Financial Responsibility Act for  
2 which the resident paid for each motor vehicle registered to a  
3 member of the resident's household. The tax credit provided by  
4 this section may be referred to as the "motor vehicle liability  
5 insurance tax credit".

6 B. A resident shall not claim motor vehicle  
7 liability insurance tax credits for motor vehicle liability  
8 insurance coverage paid for more than:

9 (1) one motor vehicle if the resident does not  
10 have any dependents;

11 (2) two motor vehicles if the resident has a  
12 dependent that meets the eligibility requirements of Subsection  
13 C of this section; or

14 (3) two motor vehicles if the resident files a  
15 joint return.

16 C. Only residents whose gross annual household  
17 income for the taxable year does not exceed one hundred fifty  
18 percent of the federal poverty guidelines for the household are  
19 eligible for the motor vehicle liability insurance tax credit.  
20 In addition, a resident who wishes to claim the motor vehicle  
21 liability insurance tax credit shall apply to the motor vehicle  
22 division of the department for a certificate of eligibility for  
23 each member of the resident's household who drives an insured  
24 motor vehicle registered to the member. The certificate shall  
25 be issued to the resident for each member of the household who:

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1 (1) is a United States citizen and New Mexico  
2 full-time resident;

3 (2) has a valid New Mexico driver's license  
4 and has not had more than one moving violation within the past  
5 thirty-six months;

6 (3) has not had a conviction for driving while  
7 under the influence of alcohol or drugs during the past thirty-  
8 six months; and

9 (4) provides satisfactory proof that each  
10 motor vehicle registered to a member of the household has been  
11 insured during the taxable year, or portion of the taxable year  
12 if the motor vehicle was purchased during the taxable year, by  
13 an insurance company authorized to do business in this state.

14 D. As used in this section, "member of the  
15 resident's household" means a resident, that resident's spouse  
16 or that resident's dependents.

17 E. The credit provided for in this section may be  
18 deducted from the resident's New Mexico income tax liability  
19 for the taxable year. If the credit exceeds the resident's  
20 income tax liability, the excess shall be refunded to the  
21 resident.

22 F. A husband and wife filing separate returns for a  
23 taxable year for which they could have filed a joint return may  
24 each claim only one-half of the credit that would have been  
25 claimed on a joint return."

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1           Section 2. APPLICABILITY.--The provisions of this act are  
2 applicable to taxable years beginning on or after January 1,  
3 2006.

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