AN ACT

RELATING TO TAXATION; PROVIDING AN INCOME TAX CREDIT AND A CORPORATE INCOME TAX CREDIT FOR EMPLOYERS FOR A PORTION OF EMPLOYEE HEALTH INSURANCE PREMIUM EXPENSES PAID BY THE EMPLOYER.

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] CREDIT--EMPLOYEE HEALTH INSURANCE PREMIUMS PAID BY EMPLOYER.--

A. A taxpayer who is an employer of fifty or fewer employees in the taxable year and who files an individual New Mexico income tax return may claim a credit in an amount equal to fifty percent of the employee health insurance premiums, including long-term care and disability income premiums, paid

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underscored material = new
[bracketed material] = delete

by the taxpayer in the taxable year for each of the first five

taxable years during which the taxpayer pays employee health

insurance premiums.

B.   A taxpayer who is an employer of fifty or fewer

employees and who files an individual New Mexico income tax

return may claim a credit in an amount equal to thirty-five

percent of the value of the insurance premiums, including

long-term care and disability income premiums, paid by the

taxpayer in a taxable year that is not one of the first five

taxable years during which the taxpayer pays employee health

insurance premiums.

C.   A husband and wife who file separate returns

for a taxable year in which they could have filed a joint

return may each claim only one-half of the credit pursuant to

this section that would have been allowed on a joint return.

D.   A taxpayer who otherwise qualifies and claims a

credit pursuant to this section and who is a member of a

partnership, S corporation or business association that is the

employer paying the employee health insurance premiums may

claim a credit only in proportion to the taxpayer's interest

in the partnership, S corporation or business association.

E.   The credit provided in this section may only be

deducted from the taxpayer's income tax liability for the

taxable year for which the credit is claimed."

Section 2.   A new section of the Corporate Income and

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Franchise Tax Act is enacted to read:

"[NEW MATERIAL] CREDIT--EMPLOYEE HEALTH INSURANCE PREMIUMS PAID BY EMPLOYER.--

A. A taxpayer that is an employer of fifty or fewer employees in a taxable year and that files a corporate income tax return may claim a credit in an amount equal to fifty percent of the employee health insurance premiums paid by the taxpayer in a taxable year for each of the first five taxable years during which the taxpayer pays employee health insurance premiums.

B. A taxpayer that is an employer of fifty or fewer employees and that files a corporate income tax return may claim a credit in an amount equal to thirty-five percent of the value of the insurance premiums paid by the taxpayer in a taxable year that is not one of the first five taxable years during which the taxpayer pays employee health insurance premiums.

C. A taxpayer that otherwise qualifies and claims a credit pursuant to this section and that is a member of a partnership, limited liability corporation or business association that is the employer paying the employee health insurance premiums may claim a credit only in proportion to the taxpayer's interest in the partnership, limited liability corporation or business association.

D. The credit provided in this section may only be

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1   deducted from the taxpayer's corporate income tax liability

2   for the taxable year for which the credit is claimed."

3   Section 3.   APPLICABILITY.--The provisions of this act

4   apply to taxable years beginning on or after January 1, 2007.

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