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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/09/2020  
 LAST UPDATED 2/11/2020

SPONSOR Sanchez/Smith HB \_\_\_\_\_

SHORT TITLE Top Income Tax Bracket Changes SB 274

ANALYST Torres

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22	FY23	FY24		
	(\$20,000.0)	(\$40,000.0)	(\$41,000.0)	(\$42,000.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Attorney General (NMAG)

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 274 amends Section 7-2-7 NMSA 1978 to implement a new top personal income tax (PIT) bracket that will take effect in taxable year 2026. The new top income bracket adds a taxable income amount and tax rate for each of the filing statuses. For married individuals filing separate returns, the top tax rate for taxable income over \$157.5 thousand is \$7,513.50 plus 5.9 percent of the amount over \$157.5 thousand. For heads of household and married individuals filing joint returns, the top tax rate for taxable income over \$315 thousand is \$15,027 plus 5.9 percent of the amount over \$315 thousand. For single individuals and estates and trusts, the top tax rate for taxable income over \$210 thousand is \$10,010.50 plus 5.9 percent of the amount over \$210 thousand.

SB274 repeals section 7-2-7 NMSA 1978 (Laws 2019, Chapter 270, Section 12 and 61) which are the current income brackets set to take effect in tax year 2021 as estimated by the Consensus Revenue Estimating Group (CREG).

Finally, SB274 reinstates the contingency eliminated with the repeal of Laws 2019, Chapter 270, section 61, so that the provisions of SB274 shall not take effect unless, prior to February 19,

2021, the secretary of finance and administration certifies that FY20 general fund revenues are less than 5 percent above FY19 general fund revenues.

Effectively, SB274 delays implementation of the new, top income tax bracket of 5.9 percent set in House Bill 6 of the 2019 legislative session by five years.

There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

### **FISCAL IMPLICATIONS**

The 2019 December Consensus Revenue Estimating Group (CREG) forecast included the implementation of the 5.9 percent income tax bracket, due to revenue projections meeting the legislative trigger. Given inclusion in the forecast, delaying the implementation of the top bracket would have a negative impact on personal income tax revenues from current expectations. The table above reflects the impact of the delay.

According to TRD, the new top PIT bracket scheduled to take effect on January 1, 2021 under current law is expected to apply to the 3 percent of PIT filers with the highest income in the state. To be included in the new top rate, single filers must have taxable incomes over \$210 thousand, married filing jointly and head-of-household filers must have taxable incomes over \$315 thousand, and married filing separately filers must have incomes over \$157.5 thousand.

IT/rl/sb