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HOUSE BILL 14

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

Derrick J. Lente and Javier Martínez

AN ACT

RELATING TO TAXATION; REPEALING THE WORKING FAMILIES TAX CREDIT
AND ENACTING THE EARNED INCOME TAX CREDIT.

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

SECTION 1. Section 7-2-18.15 NMSA 1978 (being Laws 2007,
Chapter 45, Section 9, as amended) is repealed and a new
Section 7-2-18.15 NMSA 1978 is enacted to read:

"7-2-18.15. [NEW MATERIAL] EARNED INCOME TAX CREDIT.--

A. The credit provided by this section may be
referred to as the "earned income tax credit". A taxpayer who
is an eligible individual may claim the earned income tax
credit against the taxpayer's tax liability imposed pursuant to
the Income Tax Act in an amount equal to the credit percentage
of so much of the taxpayer's earned income for the taxable year
as does not exceed the earned income amount; provided that the

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1 amount of the credit shall not exceed the excess of:

2 (1) the credit percentage of the earned income
3 amount; over

4 (2) the phaseout percentage of so much of the
5 adjusted gross income or, if greater, the earned income, of the
6 taxpayer for the taxable year as exceeds the phaseout amount.

7 B. The credit percentage and the phaseout
8 percentage shall be determined as follows:

9 In the case of a taxpayer	The credit	The phaseout
10 with:	percentage is:	percentage is:
11 1 qualifying child	10.2%	4.8%
12 2 qualifying children	12%	6.3%
13 3 or more qualifying children	13.5%	6.3%
14 No qualifying children	2.3%	1.8%.

15 C. Except as provided in Subsections E and F of
16 this section, the earned income amount and the phaseout amount
17 shall be determined as follows:

18 In the case of a taxpayer	The earned	The phaseout
19 with:	income amount	amount is:
20	is:	
21 1 qualifying child	\$11,000	\$31,000
22 2 or more qualifying children	\$15,200	\$35,200
23 No qualifying children	\$8,000	\$25,000.

24 D. For married individuals filing joint returns,
25 the phaseout amount shall be increased by five thousand dollars

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1 (\$5,000).

2 E. Except as provided in Subsection F of this
3 section, if the greater of an eligible individual's earned
4 income or adjusted gross income is less than the earned income
5 amount and the amount of credit is less than one hundred
6 dollars (\$100), the amount of the credit shall be one hundred
7 dollars (\$100).

8 F. For the 2026 taxable year and each subsequent
9 taxable year, the earned income amounts and phaseout amounts
10 shown in the table in Subsection C of this section and the
11 amount of credit provided in Subsection E of this section shall
12 be adjusted to account for inflation. The department shall
13 make the adjustment by multiplying each amount of credit by a
14 fraction, the numerator of which is the consumer price index
15 ending during the prior taxable year and the denominator of
16 which is the consumer price index ending in taxable year 2025.
17 The result of the multiplication shall be rounded to the
18 nearest ten dollars (\$10.00), except that if the result would
19 be an amount less than the corresponding amount for the
20 preceding taxable year, then no adjustment shall be made.

21 G. The secretary shall reflect the provisions of
22 Subsections B and C of this section in tables that shall have
23 income brackets of not greater than fifty dollars (\$50.00) each
24 for:

25 (1) earned income between zero and the amount
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1 of earned income at which the credit is phased out under
2 Subsection C of this section; and

3 (2) adjusted gross income between the dollar
4 amount at which the phase out begins under Subsection C of this
5 section and the amount of adjusted gross income at which the
6 credit is phased out under that subsection.

7 H. That portion of credit that exceeds a taxpayer's
8 tax liability in the taxable year in which the credit is
9 claimed shall be refunded. A refund made to a taxpayer
10 pursuant to this section shall not be treated as income.

11 I. A taxpayer allowed a tax credit pursuant to this
12 section shall report the amount of the credit to the department
13 in a manner required by the department.

14 J. The credit provided by this section shall be
15 included in the tax expenditure budget pursuant to Section
16 7-1-84 NMSA 1978, including the total annual aggregate cost of
17 the credit.

18 K. As used in this section:

19 (1) "earned income" means "earned income" as
20 defined in 26 U.S.C. 32(c)(2);

21 (2) "eligible individual" means a resident who
22 is:

23 (a) an "eligible individual" pursuant to
24 the federal earned income tax credit who is eligible to claim
25 the federal earned income tax credit in the taxable year; or

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1 (b) an individual who would have been
2 eligible for the federal earned income tax credit but for the:
3 1) identification number requirement pursuant to 26 U.S.C.
4 32(m), as that section may be amended or renumbered; or 2) the
5 age requirement pursuant to 26 U.S.C. 32(c)(1)(A)(ii)(II), as
6 that section may be amended or renumbered; provided that the
7 taxpayer is at least eighteen years of age but has not reached
8 the age of twenty-five;

9 (3) "federal earned income tax credit" means
10 the federal tax credit allowed pursuant to 26 U.S.C. 32, as
11 that section may be amended or renumbered; and

12 (4) "qualifying child" means "qualifying
13 child" as defined by Section 152(c) of the Internal Revenue
14 Code, as that section may be amended or renumbered, but
15 includes any minor child or stepchild of the taxpayer who would
16 be a qualifying child for federal income tax purposes if the
17 public assistance contributing to the support of the child or
18 stepchild was considered to have been contributed by the
19 taxpayer."

20 SECTION 2. APPLICABILITY.--The provisions of this act
21 apply to taxable years beginning on or after January 1, 2025.