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SENATE BILL 86

42ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 1996

INTRODUCED BY

ELIZABETH T. STEFANICS

AN ACT

RELATING TO TAXATION; PROVIDING A TAX CREDIT FOR SMALL
BUSINESSES THAT PAY SEVENTY-FIVE PERCENT OF EMPLOYEE HEALTH
INSURANCE PREMIUMS.

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 SMALL BUSINESS EMPLOYERS. --

A. Any taxpayer who files an individual New Mexico
income tax return, who is engaged in a small business and who
paid at least seventy-five percent of the health insurance
premiums for one or more employees of the taxpayer in the
taxable year for which the return is filed may claim a credit in
an amount equal to ten percent of the aggregate amount of such

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1 premiums paid by the taxpayer in the taxable year.

2 B. A husband and wife who file separate returns for
3 a taxable year in which they could have filed a joint return may
4 each claim only one-half of the credit pursuant to Subsection A
5 of this section that would have been allowed on a joint return.

6 C. A taxpayer who otherwise qualifies and claims a
7 credit pursuant to Subsection A of this section and who is a
8 member of a partnership or business association that is the
9 employer paying the employee health insurance premiums may claim
10 a credit only in proportion to his interest in the partnership
11 or association. The total credit claimed by all members of the
12 partnership or association shall not exceed an amount equal to
13 ten percent of the aggregate amount of qualifying employee
14 health insurance premiums paid by the partnership or association
15 in the taxable year.

16 D. The credit provided in this section may only be
17 deducted from the taxpayer's income tax liability for the
18 taxable year for which the credit is claimed.

19 E. As used in this section:

20 (1) "health insurance premium" means "health
21 insurance" and "premium" as those terms are defined in the New
22 Mexico Insurance Code; and

23 (2) "small business" means any individual or
24 legal entity employing twenty-five or fewer employees in New
25 Mexico who files an income tax return under the Income Tax Act."

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1 Section 2. A new section of the Corporate Income and
2 Franchise Tax Act is enacted to read:

3 "[NEW MATERIAL] CREDIT--EMPLOYEE HEALTH INSURANCE PREMIUMS
4 PAID BY SMALL BUSINESS EMPLOYER. --

5 A. Any taxpayer who files a corporate income tax
6 return and who is engaged in a small business and paid at least
7 seventy-five percent of the health insurance premiums for one or
8 more employees of the taxpayer in the taxable year for which the
9 return is filed may claim a credit in an amount equal to ten
10 percent of the aggregate amount of such premiums paid by the
11 taxpayer in the taxable year.

12 B. The credit provided in this section may only be
13 deducted from the taxpayer's corporate income tax liability for
14 the taxable year for which the credit is claimed.

15 C. As used in this section:

16 (1) "health insurance premium" means "health
17 insurance" and "premium" as those terms are defined in the New
18 Mexico Insurance Code; and

19 (2) "small business" means any corporation
20 employing twenty-five or fewer employees in New Mexico that
21 files an income tax return under the Corporate Income and
22 Franchise Tax Act. "

23 Section 3. APPLICABILITY. --The provisions of this act
24 apply to taxable years beginning on or after January 1, 1997.

1 FORTY- SECOND LEGI SLATURE
2 SECOND SESSI ON, 1996

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5 JANUARY 23, 1996

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7 Mr. Presi dent:

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9 Your COMMI TTEES' COMMI TTEE, to whom has been referred

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11 SENATE BILL 86

12
13 has had it under consideration and finds same to be GERMANE, PURSUANT
14 TO CONSTITUTIONAL PROVISIONS, and thence referred to the WAYS AND
15 MEANS COMMI TTEE.

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17 Respectfully submi tted,

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23 SENATOR MANNY M. ARAGON, Chai rman
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(Chief Clerk)

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