HOUSE BILL

58TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2027

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO TAXATION; AMENDING THE INCOME TAX BRACKETS TO A SINGLE RATE STRUCTURE; CREATING THE PROGRESSIVE INCOME TAX CREDIT.

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

SECTION 1. Section 7-2-7 NMSA 1978 (being Laws 2005, Chapter 104, Section 4, as amended) is amended to read:

"7-2-7. INDIVIDUAL INCOME TAX RATES.--

A. The tax imposed by Section 7-2-3 NMSA 1978 shall be [~~at the following rates~~] four and seven-tenths percent of taxable income for any taxable year beginning on or after January 1, [~~2025~~] 2028.

[~~A. For married individuals filing joint returns, heads of household and surviving spouses:~~

~~For taxable income:~~ ~~The tax shall be:~~

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~~Not over $8,000~~	~~1.5% of taxable income~~
~~Over $8,000 but not over $25,000~~	~~$120 plus 3.2% of excess over $8,000~~
~~Over $25,000 but not over $50,000~~	~~$664 plus 4.3% of excess over $25,000~~
~~Over $50,000 but not over $100,000~~	~~$1,739 plus 4.7% of excess over $50,000~~
~~Over $100,000 but not over $315,000~~	~~$4,089 plus 4.9% of excess over $100,000~~
~~Over $315,000~~	~~$14,624 plus 5.9% of excess over $315,000.~~

~~B. For single individuals and for estates and trusts:~~

~~For taxable income:~~	~~The tax shall be:~~
~~Not over $5,500~~	~~1.5% of taxable income~~
~~Over $5,500 but not over $16,500~~	~~$82.50 plus 3.2% of excess over $5,500~~
~~Over $16,500 but not over $33,500~~	~~$434.50 plus 4.3% of excess over $16,500~~
~~Over $33,500 but not over $66,500~~	~~$1,165.50 plus 4.7% of excess over $33,500~~
~~Over $66,500 but not over $210,000~~	~~$2,716.50 plus 4.9% of excess over $66,500~~
~~Over $210,000~~	~~$9,748 plus 5.9% of excess over $210,000.~~

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~~C. For married individuals filing separate returns:~~

~~For taxable income:~~	~~The tax shall be:~~
~~Not over $4,000~~	~~1.5% of taxable income~~
~~Over $4,000 but not over $12,500~~	~~$60.00 plus 3.2% of excess over $4,000~~
~~Over $12,500 but not over $25,000~~	~~$332 plus 4.3% of excess over $12,500~~
~~Over $25,000 but not over $50,000~~	~~$869.50 plus 4.7% of excess over $25,000~~
~~Over $50,000 but not over $157,500~~	~~$2,044.50 plus 4.9% of excess over $50,000~~
~~Over $157,500~~	~~$7,312 plus 5.9% of excess over $157,500.~~

~~D.~~] B. The tax on the sum of any lump-sum amounts included in net income is an amount equal to five multiplied by the difference between:

(1) the amount of tax due on the taxpayer's taxable income; and

(2) the amount of tax that would be due on an amount equal to the taxpayer's taxable income and twenty percent of the taxpayer's lump-sum amounts included in net income."

SECTION 2. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] PROGRESSIVE INCOME TAX CREDIT.--

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A. For taxable years beginning on or after January 1, 2028, a resident who is not a dependent of another individual and files an individual New Mexico income tax return may claim a tax credit against the taxpayer's liability for that taxable year imposed pursuant to the Income Tax Act. The credit provided by this section may be referred to as the "progressive income tax credit".

B. Except as provided in Subsection C of this section, the tax credit shall be in an amount equal to:

(1) one thousand six hundred dollars ($1,600) for single individuals, estates and trusts and married individuals filing separate returns; and

(2) three thousand two hundred dollars ($3,200) for married individuals filing a joint return, a head of household or a surviving spouse.

C. The credit shall be reduced, but not below zero, by an amount equal to the tax credit otherwise allowable multiplied by a fraction, the numerator of which is the amount by which the taxpayer's adjusted gross income for the taxable year exceeds the applicable threshold amount and the denominator of which is the amount by which the applicable income cap amount exceeds the applicable threshold amount. No credit shall be allowed to a taxpayer whose adjusted gross income for the taxable year equals or exceeds the applicable income cap amount.

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D. For the purposes of Subsection C of this section, the applicable threshold amount and income cap amount are:

Filing Status:	Threshold amount:	Income cap amount:
Single individuals, estates and trusts and married individuals filing separate returns	$50,000	$175,000
Married individuals filing joint returns, heads of household and surviving spouses.	$100,000	$350,000

E. That portion of tax credit that exceeds a taxpayer's income tax liability for the taxable year shall not be carried forward to subsequent taxable years.

F. Married individuals filing separate returns for a taxable year for which they could have filed a joint return may each claim only one-half of the progressive income tax credit that would have been claimed on a joint return.

G. A taxpayer allowed to claim the tax credit shall claim the tax credit in a manner prescribed by the department.

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

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tax credit."

SECTION 3. EFFECTIVE DATE.--The effective date of the provisions of this act is January 1, 2028.

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