

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

February 13, 2003

Mr. Speaker:

Your **CONFERENCE COMMITTEE**, to whom has been referred

**HOUSE TAXATION AND REVENUE COMMITTEE SUBSTITUTE FOR
HOUSE BILL 167 AND SENATE BILL 167, as amended**

has had it under consideration and reports same with the following recommendations:

1. Senate Finance Committee Amendment No. 1 be APPROVED.

2. The following Senate Finance Committee amendments be DISAPPROVED:

Nos. 2, 3, 4 and 5.

and that the bill be amended further as follows:

3. On pages 6 through 16, strike Sections 3 through 7 in their entirety and insert in lieu thereof:

"Section 3. Section 7-2-7 NMSA 1978 (being Laws 1994, Chapter 5, Section 20, as amended and as further amended by Section 2 of this act) is repealed and a new Section 7-2-7 NMSA 1978 is enacted to read:

"7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES. --The tax imposed by Section 7-2-3 NMSA 1978 shall be at the following rates for any taxable year beginning in 2004:

A. For married individuals filing separate returns:

If the taxable income is: The tax shall be:

Not over \$4,000

1.7% of taxable income

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 2

Over \$ 4,000 but not over \$ 8,000	\$ 68.00 plus 3.2% of excess over \$ 4,000
Over \$ 8,000 but not over \$ 12,000	\$ 196 plus 4.7% of excess over \$ 8,000
Over \$ 12,000 but not over \$ 20,000	\$ 384 plus 6.0% of excess over \$ 12,000
Over \$ 20,000	\$ 864 plus 6.8% of excess over \$ 20,000.

B. For surviving spouses and married individuals filing joint returns:

If the taxable income is:	The tax shall be:
Not over \$8,000	1.7% of taxable income
Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of excess over \$ 8,000
Over \$ 16,000 but not over \$ 24,000	\$ 392 plus 4.7% of excess over \$ 16,000
Over \$ 24,000 but not over \$ 40,000	\$ 768 plus 6.0% of excess over \$ 24,000
Over \$ 40,000	\$ 1,728 plus 6.8% of excess over \$ 40,000.

C. For single individuals and for estates and trusts:

If the taxable income is:	The tax shall be:
Not over \$5,500	1.7% of taxable income

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 3

Over \$ 5,500 but not over \$ 11,000	\$ 93.50 plus 3.2% of excess over \$ 5,500
Over \$ 11,000 but not over \$ 16,000	\$ 269.50 plus 4.7% of excess over \$ 11,000
Over \$ 16,000 but not over \$ 26,000	\$ 504.50 plus 6.0% of excess over \$ 16,000
Over \$ 26,000	\$1,104.50 plus 6.8% of excess over \$ 26,000.

D. For heads of household filing returns:

If the taxable income is:	The tax shall be:
Not over \$7,000	1.7% of taxable income
Over \$ 7,000 but not over \$ 14,000	\$ 119 plus 3.2% of excess over \$ 7,000
Over \$ 14,000 but not over \$ 20,000	\$ 343 plus 4.7% of excess over \$ 14,000
Over \$ 20,000 but not over \$ 33,000	\$ 625 plus 6.0% of excess over \$ 20,000
Over \$ 33,000	\$1,405 plus 6.8% of excess over \$ 33,000.

E. 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

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 4

(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 4. Section 7-2-7 NMSA 1978 (being Section 3 of this act if it becomes law) is repealed and a new Section 7-2-7 NMSA 1978 is enacted to read:

"7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES. -- The tax imposed by Section 7-2-3 NMSA 1978 shall be at the following rates for any taxable year beginning in 2005:

A. For married individuals filing separate returns:

If the taxable income is:	The tax shall be:
Not over \$4,000	1.7% of taxable income
Over \$ 4,000 but not over \$ 8,000	\$ 68.00 plus 3.2% of excess over \$ 4,000
Over \$ 8,000 but not over \$ 12,000	\$ 196 plus 4.7% of excess over \$ 8,000
Over \$ 12,000	\$ 384 plus 6.0% of excess over \$ 12,000.

B. For surviving spouses and married individuals filing joint returns:

If the taxable income is:	The tax shall be:
Not over \$8,000	1.7% of taxable income

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 5

Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of excess over \$ 8,000
Over \$ 16,000 but not over \$ 24,000	\$ 392 plus 4.7% of excess over \$ 16,000
Over \$ 24,000	\$ 768 plus 6.0% of excess over \$ 24,000.

C. For single individuals and for estates and trusts:

If the taxable income is:	The tax shall be:
Not over \$5,500	1.7% of taxable income
Over \$ 5,500 but not over \$ 11,000	\$ 93.50 plus 3.2% of excess over \$ 5,500
Over \$ 11,000 but not over \$ 16,000	\$ 269.50 plus 4.7% of excess over \$ 11,000
Over \$ 16,000	\$ 504.50 plus 6.0% of excess over \$ 16,000.

D. For heads of household filing returns:

If the taxable income is:	The tax shall be:
Not over \$7,000	1.7% of taxable income
Over \$ 7,000 but not over \$ 14,000	\$ 119 plus 3.2% of excess over \$ 7,000
Over \$ 14,000 but not over \$ 20,000	\$ 343 plus 4.7% of excess over \$ 14,000

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 6

Over \$ 20,000	\$ 625 plus 6.0% of excess over \$ 20,000.
----------------	---

E. 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 5. Section 7-2-7 NMSA 1978 (being Section 4 of this act if it becomes law) is repealed and a new Section 7-2-7 NMSA 1978 is enacted to read:

"7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES. -- The tax imposed by Section 7-2-3 NMSA 1978 shall be at the following rates for any taxable year beginning in 2006:

A. For married individuals filing separate returns:

If the taxable income is:	The tax shall be:
Not over \$4,000	1.7% of taxable income
Over \$ 4,000 but not over \$ 8,000	\$ 68.00 plus 3.2% of excess over \$ 4,000
Over \$ 8,000 but not over \$ 12,000	\$ 196 plus 4.7% of excess over \$ 8,000
Over \$ 12,000	\$ 384 plus 5.3% of

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 7

excess over \$ 12,000.

B. For surviving spouses and married individuals filing joint returns:

If the taxable income is:	The tax shall be:
Not over \$8,000	1.7% of taxable income
Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of excess over \$ 8,000
Over \$ 16,000 but not over \$ 24,000	\$ 392 plus 4.7% of excess over \$ 16,000
Over \$ 24,000	\$ 768 plus 5.3% of excess over \$ 24,000.

C. For single individuals and for estates and trusts:

If the taxable income is:	The tax shall be:
Not over \$5,500	1.7% of taxable income
Over \$ 5,500 but not over \$ 11,000	\$ 93.50 plus 3.2% of excess over \$ 5,500
Over \$ 11,000 but not over \$ 16,000	\$ 269.50 plus 4.7% of excess over \$ 11,000
Over \$ 16,000	\$ 504.50 plus 5.3% of excess over \$ 16,000.

D. For heads of household filing returns:

If the taxable income is:	The tax shall be:
---------------------------	-------------------

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 8

Not over \$7,000	1.7% of taxable income
Over \$ 7,000 but not over \$ 14,000	\$ 119 plus 3.2% of excess over \$ 7,000
Over \$ 14,000 but not over \$ 20,000	\$ 343 plus 4.7% of excess over \$ 14,000
Over \$ 20,000	\$ 625 plus 5.3% of excess over \$ 20,000.

E. 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 6. Section 7-2-7 NMSA 1978 (being Section 5 of this act if it becomes law) is repealed and a new Section 7-2-7 NMSA 1978 is enacted to read:

"7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES. --The tax imposed by Section 7-2-3 NMSA 1978 shall be at the following rates for any taxable year beginning on or after January 1, 2007:

A. For married individuals filing separate returns:

If the taxable income is:	The tax shall be:
Not over \$4,000	1.7% of taxable income
Over \$ 4,000 but not over \$ 8,000	\$ 68.00 plus 3.2% of excess

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 9

	over \$ 4,000
Over \$ 8,000 but not over \$ 12,000	\$ 196 plus 4.7% of excess over \$ 8,000
Over \$ 12,000	\$ 384 plus 4.9% of excess over \$ 12,000.

B. For surviving spouses and married individuals filing joint returns:

If the taxable income is:	The tax shall be:
Not over \$8,000	1.7% of taxable income
Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of excess over \$ 8,000
Over \$ 16,000 but not over \$ 24,000	\$ 392 plus 4.7% of excess over \$ 16,000
Over \$ 24,000	\$ 768 plus 4.9% of excess over \$ 24,000.

C. For single individuals and for estates and trusts:

If the taxable income is:	The tax shall be:
Not over \$5,500	1.7% of taxable income
Over \$ 5,500 but not over \$ 11,000	\$ 93.50 plus 3.2% of excess over \$ 5,500
Over \$ 11,000 but not over \$ 16,000	\$ 269.50 plus 4.7% of excess over \$ 11,000

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 10

Over \$ 16,000	\$ 504.50 plus 4.9% of excess over \$ 16,000.
----------------	--

D. For heads of household filing returns:

If the taxable income is:	The tax shall be:
Not over \$7,000	1.7% of taxable income
Over \$ 7,000 but not over \$ 14,000	\$ 119 plus 3.2% of excess over \$ 7,000
Over \$ 14,000 but not over \$ 20,000	\$ 343 plus 4.7% of excess over \$ 14,000
Over \$ 20,000	\$ 625 plus 4.9% of excess over \$ 20,000.

E. 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 7. Section 7-2-34 NMSA 1978 (being Laws 1999, Chapter 205, Section 1) is amended to read:

"7-2-34. DEDUCTION--NET CAPITAL GAIN INCOME.--

A. Except as provided in Subsection [~~B~~] C of this section, a taxpayer may claim a deduction from net income in an amount equal to the greater of:

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 11

(1) the taxpayer's net capital gain income for the taxable year for which the deduction is being claimed, but not to exceed one thousand dollars (\$1,000); or

(2) the following percentage of the taxpayer's net capital gain income for the taxable year for which the deduction is being claimed:

(a) for a taxable year beginning in 2003, ten percent;

(b) for a taxable year beginning in 2004, twenty percent;

(c) for a taxable year beginning in 2005, thirty percent;

(d) for a taxable year beginning in 2006, forty percent; and

(e) for taxable years beginning on or after January 1, 2007, fifty percent.

B. 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 deduction provided by this section that would have been allowed on the joint return.

~~[B-]~~ C. A taxpayer may not claim the deduction provided in Subsection A of this section if the taxpayer has claimed the credit provided in Section 7-2D-8.1 NMSA 1978.

~~[C-]~~ D. As used in this section, "net capital gain" means "net capital gain" as defined in Section 1222 (11) of the Internal Revenue Code."

Section 8. EFFECTIVE DATE.--

A. The effective date of the provisions of Section 1 of this act is July 1, 2003.

B. The effective date of the provisions of Section 3 of this act is January 1, 2004.

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 12

C. The effective date of the provisions of Section 4 of this act is January 1, 2005.

D. The effective date of the provisions of Section 5 of this act is January 1, 2006.

E. The effective date of the provisions of Section 6 of this act is January 1, 2007."

**FORTY-SIXTH LEGISLATURE
FIRST SESSION**

CC/HTRC/HB 167 and SB 167, aa

Page 13

Respectfully submitted,

Donald L. Whitaker

Ben Lujan

Thomas C. Taylor

Adopted _____
(Chief Clerk)

Not Adopted _____
(Chief Clerk)

Date _____