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SENATE BILL 167

46TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2003

INTRODUCED BY

Carlos R. Cisneros

AN ACT

RELATING TO TAXATION; REDUCING INCOME TAX RATES OVER FOUR YEARS; EXPANDING THE CAPITAL GAINS DEDUCTION OVER FOUR YEARS.

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

Section 1. Section 7-2-7 NMSA 1978 (being Laws 1994, Chapter 5, Section 20, as amended) is amended to read:

"7-2-7. 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, [1998] 2003:

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

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1 excess over \$ 8,000
2 Over \$ 12,000 but not over \$ 20,000 \$ 384 plus 6.0% of excess
3 over \$ 12,000
4 Over \$ 20,000 but not over \$ 32,000 \$ 864 plus 7.1% of excess
5 over \$ 20,000
6 Over \$ 32,000 [~~but not over \$ 50,000~~] \$ 1,716 plus [~~7.9%~~] 7.7% of
7 excess over \$ 32,000
8 [~~Over \$ 50,000~~] ~~\$ 3,138 plus 8.2% of~~
9 ~~excess over \$ 50,000~~].

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

12 If the taxable income is:	The tax shall be:
13 Not over \$8,000	1.7% of taxable income
14 Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of
15	excess over \$ 8,000
16 Over \$ 16,000 but not over \$ 24,000	\$ 392 plus 4.7% of
17	excess over \$ 16,000
18 Over \$ 24,000 but not over \$ 40,000	\$ 768 plus 6.0% of
19	excess over \$ 24,000
20 Over \$ 40,000 but not over \$ 64,000	\$ 1,728 plus 7.1% of
21	excess over \$ 40,000
22 Over \$ 64,000 [but not over \$100,000] \$ 3,432 plus [7.9%] <u>7.7%</u> of	
23	excess over \$ 64,000
24 [Over \$100,000] \$ 6,276 plus 8.2% of	
25	excess over \$100,000].

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1 C. For single individuals and for estates and trusts:

2	If the taxable income is:	The tax shall be:
3	Not over \$5,500	1.7% of taxable income
4	Over \$ 5,500 but not over \$ 11,000	\$ 93.50 plus 3.2% of
5		excess over \$ 5,500
6	Over \$ 11,000 but not over \$ 16,000	\$ 269.50 plus 4.7% of
7		excess over \$ 11,000
8	Over \$ 16,000 but not over \$ 26,000	\$ 504.50 plus 6.0% of
9		excess over \$ 16,000
10	Over \$ 26,000 but not over \$ 42,000	\$1,104.50 plus 7.1% of
11		excess over \$ 26,000
12	Over \$ 42,000 [but not over \$ 65,000]	\$2,240.50 plus [7.9%] <u>7.7%</u> of
13		excess over \$ 42,000
14	[Over \$ 65,000	\$4,057.50 plus 8.2% of
15		excess over \$ 65,000].

16 D. For heads of household filing returns:

17	If the taxable income is:	The tax shall be:
18	Not over \$7,000	1.7% of taxable income
19	Over \$ 7,000 but not over \$ 14,000	\$ 119 plus 3.2% of
20		excess over \$ 7,000
21	Over \$ 14,000 but not over \$ 20,000	\$ 343 plus 4.7% of
22		excess over \$ 14,000
23	Over \$ 20,000 but not over \$ 33,000	\$ 625 plus 6.0% of
24		excess over \$ 20,000
25	Over \$ 33,000 but not over \$ 53,000	\$1,405 plus 7.1% of

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1 excess over \$ 33,000
2 Over \$ 53,000 [~~but not over \$ 83,000~~] \$2,825 plus [~~7.9%~~] 7.7% of
3 excess over \$ 53,000
4 [~~Over \$ 83,000~~ ~~-----~~ ~~\$5,195 plus 8.2% of~~
5 ~~excess over \$ 83,000~~].

6 E. The tax on the sum of any lump-sum amounts
7 included in net income is an amount equal to five multiplied by
8 the difference between:

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

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

15 Section 2. Section 7-2-7 NMSA 1978 (being Laws 1994,
16 Chapter 5, Section 20, as amended and as further amended by
17 Section 1 of this act) is repealed and a new Section 7-2-7 NMSA
18 1978 is enacted to read:

19 "7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES. -- The
20 tax imposed by Section 7-2-3 NMSA 1978 shall be at the
21 following rates for any taxable year beginning on or after
22 January 1, 2004:

23 A. For married individuals filing separate returns:

24 If the taxable income is:	The tax shall be:
25 Not over \$4,000	1.7% of taxable income

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1 Over \$ 4,000 but not over \$ 8,000 \$ 68.00 plus 3.2% of
2 excess over \$ 4,000
3 Over \$ 8,000 but not over \$ 12,000 \$ 196 plus 4.7% of
4 excess over \$ 8,000
5 Over \$ 12,000 but not over \$ 20,000 \$ 384 plus 6.0% of
6 excess over \$ 12,000
7 Over \$ 20,000 \$ 864 plus 7.0% of
8 excess over \$ 20,000.

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

11	If the taxable income is:	The tax shall be:
12	Not over \$8,000	1.7% of taxable income
13	Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of
14		excess over \$ 8,000
15	Over \$ 16,000 but not over \$ 24,000	\$ 392 plus 4.7% of
16		excess over \$ 16,000
17	Over \$ 24,000 but not over \$ 40,000	\$ 768 plus 6.0% of
18		excess over \$ 24,000
19	Over \$ 40,000	\$ 1,728 plus 7.0% of
20		excess over \$ 40,000.

21 C. For single individuals and for estates and
22 trusts:

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

1 excess over \$ 5,500
2 Over \$ 11,000 but not over \$ 16,000 \$ 269.50 plus 4.7% of
3 excess over \$ 11,000
4 Over \$ 16,000 but not over \$ 26,000 \$ 504.50 plus 6.0% of
5 excess over \$ 16,000
6 Over \$ 26,000 \$1,104.50 plus 7.0% of
7 excess over \$ 26,000.

8 D. For heads of household filing returns:

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

10 Not over \$7,000 1.7% of taxable income
11 Over \$ 7,000 but not over \$ 14,000 \$ 119 plus 3.2% of
12 excess over \$ 7,000
13 Over \$ 14,000 but not over \$ 20,000 \$ 343 plus 4.7% of
14 excess over \$ 14,000
15 Over \$ 20,000 but not over \$ 33,000 \$ 625 plus 6.0% of
16 excess over \$ 20,000
17 Over \$ 33,000 \$1,405 plus 7.0% of
18 excess over \$ 33,000.

19 E. The tax on the sum of any lump-sum amounts
20 included in net income is an amount equal to five multiplied
21 by the difference between:

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

24 (2) the amount of tax that would be due on
25 an amount equal to the taxpayer's taxable income and twenty

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1 percent of the taxpayer's lump-sum amounts included in net
2 income. "

3 Section 3. Section 7-2-7 NMSA 1978 (being Section 2 of
4 this act if it becomes law) is repealed and a new Section
5 7-2-7 NMSA 1978 is enacted to read:

6 "7-2-7. ~~[NEW MATERIAL]~~ INDIVIDUAL INCOME TAX RATES. --

7 The tax imposed by Section 7-2-3 NMSA 1978 shall be at the
8 following rates for any taxable year beginning on or after
9 January 1, 2005:

10 A. For married individuals filing separate
11 returns:

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

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

22 If the taxable income is:	The tax shall be:
23 Not over \$8,000	1.7% of taxable income
24 Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of
25	excess over \$ 8,000

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1 Over \$ 16, 000 but not over \$ 24, 000 \$ 392 plus 4. 7% of
2 excess over \$ 16, 000
3 Over \$ 24, 000 \$ 768 plus 6. 0% of
4 excess over \$ 24, 000.

5 C. For single individuals and for estates and
6 trusts:

7	If the taxable income is:	The tax shall be:
8	Not over \$5, 500	1. 7% of taxable income
9	Over \$ 5, 500 but not over \$ 11, 000	\$ 93. 50 plus 3. 2% of
10		excess over \$ 5, 500
11	Over \$ 11, 000 but not over \$ 16, 000	\$ 269. 50 plus 4. 7% of
12		excess over \$ 11, 000
13	Over \$ 16, 000	\$ 504. 50 plus 6. 0% of
14		excess over \$ 16, 000.

15 D. For heads of household filing returns:

16	If the taxable income is:	The tax shall be:
17	Not over \$7, 000	1. 7% of taxable income
18	Over \$ 7, 000 but not over \$ 14, 000	\$ 119 plus 3. 2% of
19		excess over \$ 7, 000
20	Over \$ 14, 000 but not over \$ 20, 000	\$ 343 plus 4. 7% of
21		excess over \$ 14, 000
22	Over \$ 20, 000	\$ 625 plus 6. 0% of
23		excess over \$ 20, 000.

24 E. The tax on the sum of any lump-sum amounts
25 included in net income is an amount equal to five multiplied
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1 by the difference between:

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

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

8 Section 4. Section 7-2-7 NMSA 1978 (being Section 3 of
9 this act if it becomes law) is repealed and a new Section
10 7-2-7 NMSA 1978 is enacted to read:

11 "7-2-7. [NEW MATERIAL] INDIVIDUAL INCOME TAX RATES. --
12 The tax imposed by Section 7-2-3 NMSA 1978 shall be at the
13 following rates for any taxable year beginning on or after
14 January 1, 2006:

15 A. For married individuals filing separate
16 returns:

17 If the taxable income is:	The tax shall be:
18 Not over \$4,000	1.7% of taxable income
19 Over \$ 4,000 but not over \$ 8,000	\$ 68.00 plus 3.2% of
20	excess over \$ 4,000
21 Over \$ 8,000 but not over \$ 12,000	\$ 196 plus 4.7% of
22	excess over \$ 8,000
23 Over \$ 12,000	\$ 384 plus 5.0% of
24	excess over \$ 12,000.

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

2	If the taxable income is:	The tax shall be:
3	Not over \$8,000	1.7% of taxable income
4	Over \$ 8,000 but not over \$ 16,000	\$ 136 plus 3.2% of
5		excess over \$ 8,000
6	Over \$ 16,000 but not over \$ 24,000	\$ 392 plus 4.7% of
7		excess over \$ 16,000
8	Over \$ 24,000	\$ 768 plus 5.0% of
9		excess over \$ 24,000.

10 C. For single individuals and for estates and
11 trusts:

12	If the taxable income is:	The tax shall be:
13	Not over \$5,500	1.7% of taxable income
14	Over \$ 5,500 but not over \$ 11,000	\$ 93.50 plus 3.2% of
15		excess over \$ 5,500
16	Over \$ 11,000 but not over \$ 16,000	\$ 269.50 plus 4.7% of
17		excess over \$ 11,000
18	Over \$ 16,000	\$ 504.50 plus 5.0% of
19		excess over \$ 16,000.

20 D. For heads of household filing returns:

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

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1 excess over \$ 14,000
2 Over \$ 20,000 \$ 625 plus 5.0% of
3 excess over \$ 20,000.

4 E. The tax on the sum of any lump-sum amounts
5 included in net income is an amount equal to five multiplied
6 by the difference between:

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

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

13 Section 5. Section 7-2-34 NMSA 1978 (being Laws 1999,
14 Chapter 205, Section 1) is amended to read:

15 "7-2-34. DEDUCTION--NET CAPITAL GAIN INCOME. --

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

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

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

25 (a) for a taxable year beginning in

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1 2003, ten percent;
2 (b) for a taxable year beginning in
3 2004, twenty percent;
4 (c) for a taxable year beginning in
5 2005, thirty percent; and
6 (d) for taxable years beginning on or
7 after January 1, 2006, fifty percent.

8 B. A husband and wife who file separate returns
9 for a taxable year in which they could have filed a joint
10 return may each claim only one-half of the deduction provided
11 by this section that would have been allowed on the joint
12 return.

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

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