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HOUSE BILL 123

47TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2006

INTRODUCED BY

Peter Wirth

AN ACT

RELATING TO TAXATION; AMENDING THE CORPORATE INCOME AND
FRANCHISE TAX ACT TO MANDATE COMBINED REPORTING; REDUCING THE
TOP MARGINAL CORPORATE INCOME TAX RATE; REPEALING A SECTION OF
THE NMSA 1978 PERTAINING TO CONSOLIDATED RETURNS.

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

Section 1. Section 7-2A-5 NMSA 1978 (being Laws 1981,
Chapter 37, Section 38, as amended) is amended to read:

"7-2A-5. CORPORATE INCOME TAX RATES.--The corporate
income tax imposed on corporations by Section 7-2A-3 NMSA 1978
shall be at the rates specified in the following table:

If the net income is:	The tax shall be:
Not over \$500,000	4.8% of net income
Over \$500,000 but not over \$1,000,000	\$24,000 plus

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underscored material = new
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1 6.4% of excess
2 over \$500,000
3 Over \$1,000,000 \$56,000
4 plus [~~7.6%~~] 7.2%
5 of excess over
6 \$1,000,000."

7 Section 2. Section 7-2A-8.3 NMSA 1978 (being Laws 1983,
8 Chapter 213, Section 12, as amended by Laws 1993, Chapter 307,
9 Section 4 and also by Laws 1993, Chapter 309, Section 2) is
10 amended to read:

11 "7-2A-8.3. COMBINED RETURNS.--

12 A. A unitary corporation that is subject to taxation
13 under the Corporate Income and Franchise Tax Act [~~and that has~~
14 ~~not previously filed a combined return pursuant to this section~~
15 ~~or a consolidated return pursuant to Section 7-2A-8.4 NMSA 1978~~
16 ~~may elect to~~] shall file a combined return with other unitary
17 corporations as though the entire combined net income were that
18 of one corporation. The return filed under this method of
19 reporting shall include the net income of all the unitary
20 corporations. Transactions among the unitary corporations may
21 be eliminated by applying the appropriate rules for reporting
22 income for a consolidated federal income tax return. [~~Any~~
23 ~~corporation that has filed an income tax return with New Mexico~~
24 ~~pursuant to Section 7-2A-8.4 NMSA 1978 shall not file pursuant~~
25 ~~to this section unless the secretary gives prior permission to~~

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1 ~~file on a combined return basis.]~~

2 B. Once corporations have reported net income through
3 a combined return for any taxable year, they shall file
4 combined returns for subsequent taxable years, so long as they
5 remain unitary corporations, [~~unless the corporations elect to~~
6 ~~file pursuant to Section 7-2A-8.4 NMSA 1978 or~~] unless the
7 secretary grants prior permission for one or more of the
8 corporations to file individually.

9 [~~G. For taxable years beginning on or after January~~
10 ~~1, 1993, no unitary corporation once included in a combined~~
11 ~~return may elect, or be granted permission by the secretary,~~
12 ~~for any subsequent taxable year to separately account pursuant~~
13 ~~to Paragraph (4) of Subsection A of Section 7-2A-8 NMSA 1978.]"~~

14 Section 3. REPEAL.--Section 7-2A-8.4 NMSA 1978 (being
15 Laws 1983, Chapter 213, Section 13, as amended by Laws 1993,
16 Chapter 307, Section 5 and by Laws 1993, Chapter 309, Section
17 3) is repealed.

18 Section 4. APPLICABILITY.--The provisions of this act
19 apply to taxable years beginning on or after January 1, 2007.