

1 HOUSE BILL 291

2 **55TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2021**

3 INTRODUCED BY

4 Javier Martínez and Christine Chandler and Matthew McQueen

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10 AN ACT

11 RELATING TO TAXATION; ADDING NEW BRACKETS TO THE INCOME TAX;  
12 INCREASING AND INDEXING THE LOW-INCOME COMPREHENSIVE TAX  
13 REBATE; INCREASING THE AMOUNT OF THE WORKING FAMILIES TAX  
14 CREDIT; EXPANDING THE CREDIT TO CERTAIN RESIDENTS WHO ARE  
15 INELIGIBLE FOR THE FEDERAL EARNED INCOME TAX CREDIT ON WHICH  
16 THE WORKING FAMILIES TAX CREDIT IS BASED; LIMITING THE CAPITAL  
17 GAINS DEDUCTION FROM NET INCOME FOR CERTAIN TAXPAYERS; ALLOWING  
18 A REGIONAL OPERATION TO ELECT TO INCREASE THE WEIGHTING OF THE  
19 SALES FACTOR WHEN APPORTIONING BUSINESS INCOME; LIMITING A  
20 THREE PERCENT LIMITATION ON INCREASES IN VALUATION OF  
21 RESIDENTIAL PROPERTY TO PROPERTY THAT IS OCCUPIED BY THE OWNER  
22 AS THE OWNER'S PRINCIPAL PLACE OF RESIDENCE; PROVIDING A TEN  
23 PERCENT LIMITATION ON INCREASES IN VALUATION OF RESIDENTIAL  
24 PROPERTY THAT IS NOT OCCUPIED BY THE OWNER AS THE OWNER'S  
25 PRINCIPAL PLACE OF RESIDENCE.

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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.--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, [~~2021~~] 2022:

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 but not over [ <del>\$157,500</del> ] <u>\$100,000</u>	\$384 plus 4.9% of excess over \$12,000
<u>Over \$100,000 but not over \$157,500</u>	<u>\$4,696 plus 5.5% of excess over \$100,000</u>
Over \$157,500 <u>but not over \$311,000</u>	<u>[\$7,513.50] \$7,858.50 plus 5.9% of excess over \$157,500</u>
<u>Over \$311,000</u>	<u>\$16,915 plus 6.5% of excess over \$311,000.</u>

B. For heads of household, surviving spouses and married individuals filing joint returns:

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1	If the taxable income is:	The tax shall be:
2	Not over \$8,000	1.7% of taxable income
3	Over \$8,000 but not over \$16,000	\$136 plus 3.2% of excess
4		over \$8,000
5	Over \$16,000 but not over \$24,000	\$392 plus 4.7% of excess
6		over \$16,000
7	Over \$24,000 but not over	\$768 plus 4.9% of excess
8	<del>[\$315,000]</del> <u>\$200,000</u>	over \$24,000
9	<u>Over \$200,000 but not over \$315,000</u>	<u>\$9,392 plus 5.5% of</u>
10		<u>excess over \$200,000</u>
11	Over \$315,000 <u>but not over \$622,000</u>	<del>[\$15,027]</del> <u>\$15,717</u> plus
12		5.9% of excess over
13		\$315,000
14	<u>Over \$622,000</u>	<u>\$33,830 plus 6.5% of</u>
15		<u>excess over \$622,000.</u>

16 C. For single individuals and for estates and  
17 trusts:

18	If the taxable income is:	The tax shall be:
19	Not over \$5,500	1.7% of taxable income
20	Over \$5,500 but not over \$11,000	\$93.50 plus 3.2% of
21		excess over \$5,500
22	Over \$11,000 but not over \$16,000	\$269.50 plus 4.7% of
23		excess over \$11,000
24	Over \$16,000 but not over	\$504.50 plus 4.9% of
25	<del>[\$210,000]</del> <u>\$135,000</u>	excess over \$16,000

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1	<u>Over \$135,000 but not over \$210,000</u>	<u>\$6,335.50 plus 5.5% of</u>
2		<u>excess over \$135,000</u>
3	Over \$210,000 <u>but not over \$415,000</u>	<del>[\$10,010.50]</del> <u>\$10,460.50</u>
4		plus 5.9% of excess over
5		\$210,000
6	<u>Over \$415,000</u>	<u>\$22,555.50 plus 6.5% of</u>
7		<u>excess over \$415,000.</u>

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

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

17           **SECTION 2.** Section 7-2-14 NMSA 1978 (being Laws 1972,  
18 Chapter 20, Section 2, as amended) is amended to read:

19           "7-2-14. LOW-INCOME COMPREHENSIVE TAX REBATE.--

20           A. Except as otherwise provided in Subsection B of  
21 this section, any resident who files an individual New Mexico  
22 income tax return and who is not a dependent of another  
23 individual may claim a tax rebate for a portion of state and  
24 local taxes to which the resident has been subject during the  
25 taxable year for which the return is filed. The tax rebate may

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1 be claimed even though the resident has no income taxable under  
2 the Income Tax Act. ~~[A husband and wife]~~ Married individuals  
3 who file separate returns for a taxable year in which they  
4 could have filed a joint return may each claim only one-half of  
5 the tax rebate that would have been allowed on a joint return.

6 B. No claim for the tax rebate provided in this  
7 section shall be filed by a resident who was an inmate of a  
8 public institution for more than six months during the taxable  
9 year for which the tax rebate could be claimed or who was not  
10 physically present in New Mexico for at least six months during  
11 the taxable year for which the tax rebate could be claimed.

12 C. For the purposes of this section, the total  
13 number of exemptions for which a tax rebate may be claimed or  
14 allowed is determined by adding the number of federal  
15 exemptions allowable for federal income tax purposes for each  
16 individual included in the return who is domiciled in New  
17 Mexico plus two additional exemptions for each individual  
18 domiciled in New Mexico included in the return who is sixty-  
19 five years of age or older plus one additional exemption for  
20 each individual domiciled in New Mexico included in the return  
21 who, for federal income tax purposes, is blind plus one  
22 exemption for each minor child or stepchild of the resident who  
23 would be a dependent for federal income tax purposes if the  
24 public assistance contributing to the support of the child or  
25 stepchild was considered to have been contributed by the

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1 resident.

2 D. Except as provided in Subsection F of this  
3 section, the tax rebate provided for in this section may be  
4 claimed in the amount shown in the following table:

5 Modified gross And the total number  
6 income is: of exemptions is:

	But Not						6 or
8 Over	Over	1	2	3	4	5	More
9 [ <del>0</del>	<del>500</del>	<del>120</del>	<del>160</del>	<del>200</del>	<del>240</del>	<del>280</del>	<del>320</del>
10 500	1,000	135	195	250	310	350	415
11 1,000	1,500	135	195	250	310	350	435
12 1,500	2,000	135	195	250	310	350	450
13 2,000	2,500	135	195	250	310	350	450
14 2,500	3,000	135	195	250	310	350	450
15 3,000	3,500	135	195	250	310	350	450
16 3,500	4,000	135	195	250	310	355	450
17 4,000	4,500	135	195	250	310	355	450
18 4,500	5,000	125	190	240	305	355	450
19 5,000	5,500	115	175	230	295	355	430
20 5,500	6,000	105	155	210	260	315	410
21 6,000	7,000	90	130	170	220	275	370
22 7,000	8,000	80	115	145	180	225	295
23 8,000	9,000	70	105	135	170	195	240
24 9,000	10,000	65	95	115	145	175	205
25 10,000	11,000	60	80	100	130	155	185

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1	<del>11,000</del>	<del>12,000</del>	55	70	90	110	135	160
2	<del>12,000</del>	<del>13,000</del>	50	65	85	100	115	140
3	<del>13,000</del>	<del>14,000</del>	50	65	85	100	115	140
4	<del>14,000</del>	<del>15,000</del>	45	60	75	90	105	120
5	<del>15,000</del>	<del>16,000</del>	40	55	70	85	95	110
6	<del>16,000</del>	<del>17,000</del>	35	50	65	80	85	105
7	<del>17,000</del>	<del>18,000</del>	30	45	60	70	80	95
8	<del>18,000</del>	<del>19,000</del>	25	35	50	60	70	80
9	<del>19,000</del>	<del>20,000</del>	20	30	40	50	60	65
10	<del>20,000</del>	<del>21,000</del>	15	25	30	40	50	55
11	<del>21,000</del>	<del>22,000</del>	10	20	25	35	40	45]
12	<u>\$ 0</u>	<u>\$ 1,000</u>	<u>\$ 195</u>	<u>\$ 260</u>	<u>\$ 325</u>	<u>\$ 390</u>	<u>\$ 455</u>	<u>\$ 520</u>
13	<u>1,000</u>	<u>1,500</u>	<u>220</u>	<u>315</u>	<u>405</u>	<u>505</u>	<u>570</u>	<u>675</u>
14	<u>1,500</u>	<u>2,500</u>	<u>220</u>	<u>315</u>	<u>405</u>	<u>505</u>	<u>570</u>	<u>705</u>
15	<u>2,500</u>	<u>7,500</u>	<u>220</u>	<u>315</u>	<u>405</u>	<u>505</u>	<u>570</u>	<u>730</u>
16	<u>7,500</u>	<u>8,000</u>	<u>205</u>	<u>310</u>	<u>390</u>	<u>495</u>	<u>575</u>	<u>730</u>
17	<u>8,000</u>	<u>9,000</u>	<u>185</u>	<u>285</u>	<u>375</u>	<u>480</u>	<u>575</u>	<u>700</u>
18	<u>9,000</u>	<u>10,000</u>	<u>170</u>	<u>250</u>	<u>340</u>	<u>425</u>	<u>510</u>	<u>665</u>
19	<u>10,000</u>	<u>11,500</u>	<u>145</u>	<u>210</u>	<u>275</u>	<u>360</u>	<u>445</u>	<u>600</u>
20	<u>11,500</u>	<u>13,000</u>	<u>130</u>	<u>185</u>	<u>235</u>	<u>295</u>	<u>365</u>	<u>480</u>
21	<u>13,000</u>	<u>14,500</u>	<u>115</u>	<u>170</u>	<u>220</u>	<u>275</u>	<u>315</u>	<u>390</u>
22	<u>14,500</u>	<u>16,500</u>	<u>105</u>	<u>155</u>	<u>185</u>	<u>235</u>	<u>285</u>	<u>335</u>
23	<u>16,500</u>	<u>18,000</u>	<u>100</u>	<u>130</u>	<u>165</u>	<u>210</u>	<u>250</u>	<u>300</u>
24	<u>18,000</u>	<u>19,500</u>	<u>90</u>	<u>115</u>	<u>145</u>	<u>180</u>	<u>220</u>	<u>260</u>
25	<u>19,500</u>	<u>21,000</u>	<u>80</u>	<u>105</u>	<u>140</u>	<u>165</u>	<u>185</u>	<u>230</u>

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1	<u>21,000</u>	<u>23,000</u>	<u>80</u>	<u>105</u>	<u>140</u>	<u>165</u>	<u>185</u>	<u>230</u>
2	<u>23,000</u>	<u>24,500</u>	<u>75</u>	<u>100</u>	<u>120</u>	<u>145</u>	<u>170</u>	<u>195</u>
3	<u>24,500</u>	<u>26,000</u>	<u>65</u>	<u>90</u>	<u>115</u>	<u>140</u>	<u>155</u>	<u>180</u>
4	<u>26,000</u>	<u>27,500</u>	<u>55</u>	<u>80</u>	<u>105</u>	<u>130</u>	<u>140</u>	<u>170</u>
5	<u>27,500</u>	<u>29,500</u>	<u>50</u>	<u>75</u>	<u>100</u>	<u>115</u>	<u>130</u>	<u>155</u>
6	<u>29,500</u>	<u>31,000</u>	<u>40</u>	<u>55</u>	<u>80</u>	<u>100</u>	<u>115</u>	<u>130</u>
7	<u>31,000</u>	<u>32,500</u>	<u>35</u>	<u>50</u>	<u>65</u>	<u>80</u>	<u>100</u>	<u>105</u>
8	<u>32,500</u>	<u>34,000</u>	<u>25</u>	<u>40</u>	<u>50</u>	<u>65</u>	<u>80</u>	<u>90</u>
9	<u>34,000</u>	<u>36,000</u>	<u>15</u>	<u>35</u>	<u>40</u>	<u>55</u>	<u>65</u>	<u>75.</u>

10           E. If a taxpayer's modified gross income is zero,  
11 the taxpayer may claim a credit in the amount shown in the  
12 first row of the table appropriate for the taxpayer's number of  
13 exemptions as adjusted by the provisions of Subsection F of  
14 this section.

15           F. For the 2022 taxable year and each subsequent  
16 taxable year, the amount of rebate shown in the table in  
17 Subsection D of this section shall be adjusted to account for  
18 inflation. The department shall make the adjustment by  
19 multiplying each amount of rebate by a fraction, the numerator  
20 of which is the consumer price index ending during the prior  
21 taxable year and the denominator of which is the consumer price  
22 index ending in tax year 2021. The result of the  
23 multiplication shall be rounded down to the nearest one dollar  
24 (\$1.00), except that if the result would be an amount less than  
25 the corresponding amount for the preceding taxable year, then

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1 no adjustment shall be made.

2           [~~F.~~] G. The tax rebates provided for in this  
3 section may be deducted from the taxpayer's New Mexico income  
4 tax liability for the taxable year. If the tax rebates exceed  
5 the taxpayer's income tax liability, the excess shall be  
6 refunded to the taxpayer.

7           [~~G.~~] H. For purposes of this section:

8                   (1) "consumer price index" means the consumer  
9 price index for all urban consumers published by the United  
10 States department of labor for the month ending September 30;  
11 and

12                   (2) "dependent" means "dependent" as defined  
13 by Section 152 of the Internal Revenue Code of 1986, as that  
14 section may be amended or renumbered, but also includes any  
15 minor child or stepchild of the resident who would be a  
16 dependent for federal income tax purposes if the public  
17 assistance contributing to the support of the child or  
18 stepchild was considered to have been contributed by the  
19 resident."

20           SECTION 3. Section 7-2-18.15 NMSA 1978 (being Laws 2007,  
21 Chapter 45, Section 9, as amended) is amended to read:

22                   "7-2-18.15. WORKING FAMILIES TAX CREDIT.--

23                   A. A taxpayer who is a resident and who files an  
24 individual New Mexico income tax return may claim a credit in  
25 an amount equal to [~~seventeen~~] twenty percent of the federal

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1 earned income tax credit for which that [individual] taxpayer  
2 is eligible for the same taxable year [pursuant to Section 32  
3 of the Internal Revenue Code] or would have been eligible but  
4 for the identification number requirement pursuant to 26 U.S.C.  
5 32(m), as that section may be amended or renumbered.

6 B. A taxpayer who is a resident and who files an  
7 individual New Mexico tax return may claim a credit in an  
8 amount equal to twenty percent of the federal earned income tax  
9 credit for which that taxpayer would have been eligible for the  
10 same taxable year but for the age requirement pursuant to  
11 26 U.S.C. 32(c)(1)(A)(ii)(II), as that section may be amended  
12 or renumbered; provided that the taxpayer is at least eighteen  
13 years of age but has not reached the age of twenty-five.

14 C. The credit provided in this section may be  
15 referred to as the "working families tax credit".

16 [B.] D. The working families tax credit may be  
17 deducted from the income tax liability of an individual who  
18 claims the credit and qualifies for the credit pursuant to this  
19 section. If the credit exceeds the individual's income tax  
20 liability for the taxable year, the excess shall be refunded to  
21 the individual.

22 E. As used in this section, "federal earned income  
23 tax credit" means the tax credit allowed pursuant to 26 U.S.C.  
24 32, as that section may be amended or renumbered."

25 SECTION 4. Section 7-2-34 NMSA 1978 (being Laws 1999,

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1 Chapter 205, Section 1, as amended) is amended to read:

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

3 A. Except as provided in [~~Subsection C~~] Subsections  
4 B and D of this section, a taxpayer may claim a deduction from  
5 net income in an amount equal to the taxpayer's net capital  
6 gain income for the taxable year for which the deduction is  
7 being claimed, but not to exceed one thousand dollars (\$1,000).

8 B. Except as provided in Subsection D of this  
9 section, a taxpayer may claim a deduction from net income  
10 attributable to the sale of a New Mexico business in an amount  
11 equal to the greater of:

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

15 (2) forty percent of the taxpayer's net  
16 capital gain income, up to five hundred thousand dollars  
17 (\$500,000), for the taxable year for which the deduction is  
18 being claimed; provided that:

19 (a) the net capital gain from the sale  
20 does not exceed one million dollars (\$1,000,000);

21 (b) the business was the principal  
22 business of the taxpayer; and

23 (c) the taxpayer was involved in the  
24 operation of the small business on a regular, continuous and  
25 substantial basis.

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1           ~~[B.]~~ C. Married individuals who file separate  
2 returns for a taxable year in which they could have filed a  
3 joint return may each claim only one-half of the deduction  
4 provided by this section that would have been allowed on the  
5 joint return.

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

9           ~~[D.]~~ E. As used in this section:

10                   (1) "net capital gain" means "net capital  
11 gain" as defined in Section 1222 (11) of the Internal Revenue  
12 Code; and

13                   (2) "New Mexico business" means a business  
14 that is owned as follows:

15                           (a) for a sole proprietorship, one  
16 hundred percent of the tangible assets of the business are  
17 owned or leased by a New Mexico resident;

18                           (b) for a corporation or limited  
19 liability company, a business with its principal office and a  
20 majority of its full-time-equivalent employees located in New  
21 Mexico; and

22                           (c) for a limited partnership, a  
23 business with its principal place of business and one hundred  
24 percent of its tangible assets located in New Mexico."

25           SECTION 5. Section 7-4-10 NMSA 1978 (being Laws 1993,  
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1 Chapter 153, Section 1, as amended) is amended to read:

2 "7-4-10. APPORTIONMENT OF BUSINESS INCOME.--

3 A. Except as provided in Subsections B, [~~and~~] C and  
4 E of this section, all business income shall be apportioned to  
5 this state by multiplying the income by a fraction, the  
6 numerator of which is the property factor plus the payroll  
7 factor plus the sales factor and the denominator of which is  
8 three.

9 B. If eighty percent or more of the New Mexico  
10 numerators of the property and payroll factors for a filing  
11 group, or for a taxpayer that is not a member of a filing  
12 group, are employed in manufacturing or operating a computer  
13 processing facility, the filing group or the taxpayer may elect  
14 to have business income apportioned to this state by  
15 multiplying the income by the sales factor for the taxable  
16 year.

17 C. If a filing group, or a taxpayer that is not a  
18 member of a filing group, has a headquarters operation in New  
19 Mexico, the filing group or the taxpayer may elect to have  
20 business income apportioned to this state by multiplying the  
21 income by the sales factor for the taxable year.

22 D. Except as provided in Subsection E of this  
23 section, to elect the method of apportionment provided by  
24 Subsection B or C of this section, the taxpayer shall notify  
25 the department of the election, in writing, no later than the

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1 date on which the taxpayer files the return for the first  
2 taxable year to which the election will apply. The election  
3 shall apply as follows:

4 (1) if the election is made for taxable years  
5 beginning prior to January 1, 2020, to the taxable year in  
6 which the election is made and to each taxable year thereafter  
7 for three years, or until the taxable year ending prior to  
8 January 1, 2020, whichever is earlier;

9 (2) if the election is made for a taxable year  
10 beginning on or after January 1, 2020, to the taxable year in  
11 which the election is made and to each taxable year thereafter  
12 until the taxpayer notifies the department, in writing, that  
13 the election is terminated, except that the taxpayer shall not  
14 terminate the election until the method of apportioning  
15 business income provided by Subsection B or C of this section  
16 has been used by the taxpayer for at least three consecutive  
17 taxable years, including a total of at least thirty-six  
18 calendar months; and

19 (3) if the election is made by a qualifying  
20 filing group, the election shall apply to the members of the  
21 filing group properly included pursuant to Section 7-2A-8.3  
22 NMSA 1978.

23 E. A taxpayer that is a regional operation may  
24 elect to increase the weighting of the sales factor as follows,  
25 after notifying the department of the election, in writing, no

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1 later than the date on which the taxpayer files the return for  
2 the first taxable year to which the election will apply:

3 (1) for taxable years beginning on or after  
4 January 1, 2021 and prior to January 1, 2022, by using a sales  
5 factor multiplied by two plus the property factor plus the  
6 payroll factor divided by four;

7 (2) for taxable years beginning on or after  
8 January 1, 2022 and prior to January 1, 2023, by using a sales  
9 factor multiplied by six plus the property factor plus the  
10 payroll factor divided by eight; and

11 (3) for taxable years beginning on or after  
12 January 1, 2023, by multiplying the income by the sales factor  
13 for the taxable year, the numerator of which is total sales in  
14 New Mexico and the denominator of which is total sales  
15 everywhere during the tax period.

16 F. An election made pursuant to Subsection E of  
17 this section shall apply to the taxable year in which the  
18 election is made and to each taxable year thereafter until the  
19 taxpayer notifies the department, in writing, that the election  
20 is terminated; provided that the taxpayer shall not terminate  
21 the election until the method of apportioning business income  
22 provided by Subsection E of this section has been used by the  
23 taxpayer for at least three consecutive taxable years,  
24 including a total of at least thirty-six calendar months; and  
25 provided further that, if the election is made by a qualifying

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1 filing group, the election shall apply to the members of the  
2 filing group properly included pursuant to Section 7-2A-8.3  
3 NMSA 1978.

4 ~~[E-]~~ G. For purposes of this section:

5 (1) "filing group" means "filing group" as  
6 that term is defined in the Corporate Income and Franchise Tax  
7 Act;

8 (2) "headquarters operation" means:

9 (a) the center of operations of a  
10 business: 1) where corporate staff employees are physically  
11 employed; 2) where the centralized functions are primarily  
12 performed, including administrative, planning, managerial,  
13 human resources, purchasing, information technology and  
14 accounting, but not including operating a call center; 3) the  
15 function and purpose of which is to manage and direct most  
16 aspects and functions of the business operations within a  
17 subdivided area of the United States; 4) from which final  
18 authority over regional or subregional offices, operating  
19 facilities and any other offices of the business are issued;  
20 and 5) including national and regional headquarters if the  
21 national headquarters is subordinate only to the ownership of  
22 the business or its representatives and the regional  
23 headquarters is subordinate to the national headquarters; or

24 (b) the center of operations of a  
25 business: 1) the function and purpose of which is to manage



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1 and direct most aspects of one or more centralized functions;  
2 and 2) from which final authority over one or more centralized  
3 functions is issued;

4 (3) "manufacturing" means combining or  
5 processing components or materials to increase their value for  
6 sale in the ordinary course of business, but does not include:

7 (a) construction;

8 (b) farming;

9 (c) power generation; provided that for  
10 taxable years beginning prior to January 1, 2024,

11 "manufacturing" includes electricity generation at a facility  
12 that does not require location approval and a certificate of  
13 convenience and necessity prior to commencing construction or  
14 operation of the facility pursuant to the Public Utility Act;

15 (d) processing natural resources,  
16 including hydrocarbons; or

17 (e) processing or preparation of meals  
18 for immediate consumption; ~~and~~

19 (4) "operating a computer processing facility"  
20 means managing the necessary and ancillary activities for the  
21 operation of a facility primarily used to process data or  
22 information, but does not include managing the operation of  
23 facilities that are predominantly used to support sales of  
24 tangible property or the provision of banking, financial or  
25 professional services; and

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1                   (5) "regional operation" means the presence of  
2 a business unit of a corporation or a group of corporations in  
3 a combined filing group:

4                   (a) the purpose of which is to manage  
5 aspects and functions of the business operations, located fully  
6 or partially within New Mexico, and for which daily operational  
7 decisions are managed and carried out in New Mexico;

8                   (b) with one hundred or more employees  
9 for whom wages are withheld pursuant to the Withholding Tax  
10 Act. The employee measurement date is the first day of the  
11 taxable year immediately prior to the taxable year for which  
12 the election is made, and shall be certified by audit; and

13                   (c) with a cumulative investment in  
14 property in New Mexico exceeding five hundred million dollars  
15 (\$500,000,000). Property owned by the taxpayer shall be valued  
16 at the property's original cost, which shall be deemed to be  
17 the basis of the property for federal income tax purposes,  
18 prior to any federal adjustments, at the time of acquisition by  
19 the taxpayer and adjusted by subsequent capital additions or  
20 improvements thereto and partial disposition thereof, by reason  
21 of sale, exchange or abandonment. For purposes of this  
22 subparagraph, "cumulative investment in property in New Mexico"  
23 means the average value of the taxpayer's real and tangible  
24 personal property owned or rented and used in New Mexico during  
25 the tax period."

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1           SECTION 6. Section 7-36-21.2 NMSA 1978 (being Laws 2000,  
2 Chapter 10, Section 2, as amended) is amended to read:

3           "7-36-21.2. LIMITATION ON INCREASES IN VALUATION OF  
4 RESIDENTIAL PROPERTY.--

5           A. Except as provided in Subsections B through D of  
6 this section, residential property shall be valued at its  
7 current and correct value in accordance with the provisions of  
8 the Property Tax Code. [~~provided that~~]

9           B. For the 2001 [~~and subsequent~~] through 2022 tax  
10 years, the value of a property in any tax year shall not exceed  
11 the higher of one hundred three percent of the value in the tax  
12 year prior to the tax year in which the property is being  
13 valued or one hundred six and one-tenth percent of the value in  
14 the tax year two years prior to the tax year in which the  
15 property is being valued. [~~This limitation~~]

16           C. For the 2023 and subsequent tax years, the value  
17 of a residential property that is occupied by the owner as the  
18 owner's principal place of residence in any tax year shall not  
19 exceed the higher of one hundred three percent of the value in  
20 the tax year prior to the tax year in which the property is  
21 being valued or one hundred six and one-tenth percent of the  
22 value in the tax year two years prior to the tax year in which  
23 the property is being valued.

24           D. For the 2023 and subsequent tax years, the value  
25 of a residential property that is not occupied by the owner as

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1 the owner's principal place of residence in any tax year shall  
2 not exceed the higher of one hundred ten percent of the value  
3 in the tax year prior to the tax year in which the property is  
4 being valued or one hundred twenty-one percent of the value in  
5 the tax year two years prior to the tax year in which the  
6 property is being valued.

7 E. The limitations on increases in value ~~[does]~~  
8 pursuant to Subsections B through D of this section shall not  
9 apply to:

10 (1) a residential property in the first tax  
11 year that it is valued for property taxation purposes;

12 (2) any physical improvements, except for  
13 solar energy system installations, made to the property during  
14 the year immediately prior to the tax year or omitted in a  
15 prior tax year; or

16 (3) valuation of a residential property in any  
17 tax year in which:

18 (a) a change of ownership of the  
19 property occurred in the year immediately prior to the tax year  
20 for which the value of the property for property taxation  
21 purposes is being determined; or

22 (b) the use or zoning of the property  
23 has changed in the year prior to the tax year.

24 ~~[B.]~~ F. If a change of ownership of residential  
25 property occurred in the year immediately prior to the tax year

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1 for which the value of the property for property taxation  
2 purposes is being determined, the value of the property shall  
3 be its current and correct value as determined pursuant to the  
4 general valuation provisions of the Property Tax Code.

5 ~~[G.]~~ G. To assure that the values of residential  
6 property for property taxation purposes are at current and  
7 correct values in all counties prior to application of the  
8 limitation in Subsection ~~[A]~~ B of this section, the department  
9 shall determine for the 2000 tax year the sales ratio pursuant  
10 to Section 7-36-18 NMSA 1978 or, if a sales ratio cannot be  
11 determined pursuant to that section, conduct a sales-ratio  
12 analysis using both independent appraisals by the department  
13 and sales. If the sales ratio for a county for the 2000 tax  
14 year is less than eighty-five, as measured by the median ratio  
15 of value for property taxation purposes to sales price or  
16 independent appraisal by the department, the county shall not  
17 be subject to the limitations of Subsection ~~[A]~~ B of this  
18 section and shall conduct a reassessment of residential  
19 property in the county so that, by the 2003 tax year, the sales  
20 ratio is at least eighty-five. After such reassessment, the  
21 limitation on increases in valuation in this section shall  
22 apply in those counties in the earlier of the 2004 tax year or  
23 the first tax year following the tax year that the county has a  
24 sales ratio of eighty-five or higher, as measured by the median  
25 ratio of value for property taxation purposes to sales value or

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1 independent appraisal by the department. Thereafter, the  
2 limitation on increases in valuation of residential property  
3 for property taxation purposes in this section shall apply to  
4 subsequent tax years in all counties.

5 ~~[D.]~~ H. The provisions of this section do not apply  
6 to residential property for any tax year in which the property  
7 is subject to the valuation limitation in Section 7-36-21.3  
8 NMSA 1978.

9 ~~[E.]~~ I. As used in this section:

10 (1) "change of ownership" means a transfer to  
11 a transferee by a transferor of all or any part of the  
12 transferor's legal or equitable ownership interest in  
13 residential property except for a transfer:

14 ~~[(1)]~~ (a) to a trustee for the  
15 beneficial use of the spouse of the transferor or the surviving  
16 spouse of a deceased transferor;

17 ~~[(2)]~~ (b) to the spouse of the  
18 transferor that takes effect upon the death of the transferor;

19 ~~[(3)]~~ (c) that creates, transfers or  
20 terminates, solely between spouses, any co-owner's interest;

21 ~~[(4)]~~ (d) to a child of the transferor,  
22 who occupies the property as that person's principal residence  
23 at the time of transfer; provided that the first subsequent tax  
24 year in which that person does not qualify for the head of  
25 household exemption on that property, a change of ownership

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1 shall be deemed to have occurred;

2 [~~(5)~~] (e) that confirms or corrects a  
3 previous transfer made by a document that was recorded in the  
4 real estate records of the county in which the real property is  
5 located;

6 [~~(6)~~] (f) for the purpose of quieting  
7 the title to real property or resolving a disputed location of  
8 a real property boundary;

9 [~~(7)~~] (g) to a revocable trust by the  
10 transferor with the transferor, the transferor's spouse or a  
11 child of the transferor as beneficiary; or

12 [~~(8)~~] (h) from a revocable trust  
13 described in [~~Paragraph (7) of this subsection~~] Subparagraph  
14 (g) of this paragraph back to the settlor or trustor or to the  
15 beneficiaries of the trust; and

16 [~~F. As used in this section~~]

17 (2) "solar energy system installation" means  
18 an installation that is used to provide space heat, hot water  
19 or electricity to the property in which it is installed and is:

20 [~~(1)~~] (a) an installation that uses  
21 solar panels that are not also windows;

22 [~~(2)~~] (b) a dark-colored water tank  
23 exposed to sunlight; or

24 [~~(3)~~] (c) a non-vented trombe wall."

25 SECTION 7. APPLICABILITY.--

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A. The provisions of Sections 2 and 3 of this act apply to taxable years beginning on or after January 1, 2021.

B. The provisions of Section 4 of this act apply to taxable years beginning on or after January 1, 2022.