

State of New Mexico
House of Representatives

FIFTY-SEVENTH LEGISLATURE
SECOND SESSION

February 12, 2026

HOUSE FLOOR AMENDMENT number _____ to HOUSE BILL 291, as amended

Amendment sponsored by Representative

1. On page 2, line 6, before the period, insert:

"; PROVIDING AN INCOME TAX DEDUCTION FOR INCOME FROM TIPS, INCOME FROM OVERTIME AND SOCIAL SECURITY INCOME DEDUCTIBLE PURSUANT TO FEDERAL LAW; INCREASING THE WORKING FAMILIES TAX CREDIT; CREATING THE FOSTER PARENT AND GUARDIAN INCOME TAX CREDIT; AMENDING AND EXPANDING AN INCOME TAX DEDUCTION FOR UNREIMBURSED OR UNCOMPENSATED MEDICAL CARE EXPENSES TO TAXPAYERS OF ALL INCOME LEVELS; EXTENDING A GROSS RECEIPTS TAX DEDUCTION FOR HEALTH CARE PRACTITIONERS AND AMENDING THE DEDUCTION TO INCLUDE COINSURANCE PAID BY A PATIENT".

2. On page 61, between lines 16 and 17, insert:

"SECTION 18. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] DEDUCTION--INCOME FROM QUALIFIED TIPS.--

A. A taxpayer may claim a deduction from net income in an amount equal to the amount of qualified tips for which the taxpayer is eligible to deduct pursuant to 26 U.S.C. 224, as that section may be amended or renumbered.

B. A taxpayer allowed a deduction pursuant to this section shall report the amount of the deduction to the department in a manner required by the department.

C. The deduction 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 deduction.

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D. As used in this section, "qualified tips" means "qualified tips" as defined in 26 U.S.C. 224(d)."

SECTION 19. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] DEDUCTION--QUALIFIED OVERTIME COMPENSATION.--

A. A taxpayer may claim a deduction from net income in an amount equal to the amount of qualified overtime compensation for which the taxpayer is eligible to deduct pursuant to 26 U.S.C. 225, as that section may be amended or renumbered.

B. A taxpayer allowed a deduction pursuant to this section shall report the amount of the deduction to the department in a manner required by the department.

C. The deduction 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 deduction.

D. As used in this section, "qualified overtime compensation" means "qualified overtime compensation" as defined in 26 U.S.C. 225(c)."

SECTION 20. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] DEDUCTION--SOCIAL SECURITY INCOME DEDUCTIBLE PURSUANT TO FEDERAL LAW.--

A. A taxpayer may claim a deduction from net income in an amount equal to the amount of social security income for which the taxpayer is eligible to deduct pursuant to 26 U.S.C. 151, as that section may be amended or renumbered.

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B. A taxpayer allowed a deduction pursuant to this section shall report the amount of the deduction to the department in a manner required by the department.

C. The deduction 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 deduction."

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

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

A. A taxpayer who is a resident and who files an individual New Mexico income tax return may claim a credit in an amount equal to [~~twenty percent for taxable years beginning on or after January 1, 2021, and twenty-five percent for taxable years beginning on or after January 1, 2023~~] fifty percent of the federal earned income tax credit for which that taxpayer is eligible for the same taxable year or would have been eligible but for the identification number requirement pursuant to 26 U.S.C. 32(m), as that section may be amended or renumbered.

B. A taxpayer who is a resident and who files an individual New Mexico tax return may claim a credit in an amount equal to [~~twenty percent for taxable years beginning on or after January 1, 2021, and twenty-five percent for taxable years beginning on or after January 1, 2023~~] fifty percent of the federal earned income tax credit for which that taxpayer would have been eligible for the same taxable year but for the age requirement pursuant to 26 U.S.C. 32(c)(1)(A)(ii)(II), as that section may be amended or renumbered; provided that the taxpayer is at least eighteen years of age but has not reached the age of twenty-five.

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

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

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

SECTION 22. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] CREDIT--FOSTER PARENT AND GUARDIAN INCOME TAX CREDIT.--

A. For taxable years ending prior to January 1, 2032, a taxpayer who is a resident, who is not a dependent of another individual and who is a foster parent or guardian of a child may claim a credit against the taxpayer's tax liability imposed pursuant to the Income Tax Act. The credit authorized pursuant to this section may be referred to as the "foster parent and guardian income tax credit".

B. The amount of the tax credit shall be in an amount equal to two hundred fifty dollars (\$250) for each month the taxpayer is a foster parent or guardian of a child in the taxable year in which the tax credit is claimed; provided that the taxpayer shall be a foster parent or guardian for more than fifty percent of that month; and provided further that the maximum amount of credit that may be claimed by a taxpayer in a taxable year is three thousand dollars (\$3,000).

C. A taxpayer shall apply for certification of eligibility for the tax credit from the children, youth and families department on forms and in the manner prescribed by that department. Except as

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provided in Subsection E of this section, only one tax credit shall be certified per taxpayer per taxable year. If the children, youth and families department determines that the taxpayer meets the requirements of this section, that department shall issue a dated certificate of eligibility to the taxpayer providing the amount of tax credit for which the taxpayer is eligible and the taxable years in which the credit may be claimed. The children, youth and families department shall provide the department with the certificates of eligibility issued pursuant to this subsection in an electronic format at regularly agreed-upon intervals.

D. That portion of the tax credit that exceeds a taxpayer's income tax liability in the taxable year in which the credit is claimed shall be refunded to the taxpayer.

E. 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 tax credit that would have been claimed on a joint return.

F. A taxpayer allowed to claim a tax credit pursuant to this section shall claim the tax credit in a manner required by the department. The credit shall be claimed within one taxable year of the end of the year in which the children, youth and families department certifies the credit.

G. The 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 credit.

H. As used in this section:

(1) "child" means an unemancipated individual who has not reached eighteen years of age;

(2) "foster parent" means a person licensed or

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certified by the children, youth and families department or a child placement agency to provide care for children in the custody of that department or the agency; and

(3) "guardian" means a person appointed as a guardian by a court or an Indian tribal authority pursuant to the Kinship Guardianship Act, but does not include a person appointed as a guardian ad litem."

SECTION 23. Section 7-2-37 NMSA 1978 (being Laws 2015 (1st S.S.), Chapter 2, Section 3) is amended to read:

"7-2-37. DEDUCTION--UNREIMBURSED OR UNCOMPENSATED MEDICAL CARE EXPENSES.--

A. [~~Prior to January 1, 2025~~] A taxpayer may claim a deduction from net income in an amount [~~determined pursuant to Subsection B of this section for medical care~~] equal to medical expenses paid during the taxable year for medical care of the taxpayer, the taxpayer's spouse or a dependent if the expenses are not reimbursed or compensated for by insurance or otherwise and have not been included in the taxpayer's itemized deductions, as defined in Section 63 of the Internal Revenue Code, for the taxable year.

~~[B. The deduction provided in Subsection A of this section may be claimed in an amount equal to the following percentage of medical care expenses paid during the taxable year based on the taxpayer's filing status and adjusted gross income as follows:~~

~~(1) for surviving spouses and married individuals filing joint returns:~~

~~If adjusted gross income is:~~

~~The following percent of
medical care expenses
paid may be deducted:~~

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~~Not over \$30,000~~ ~~25 percent~~

~~More than \$30,000 but not
more than \$70,000~~ ~~15 percent~~

~~Over \$70,000~~ ~~10 percent;~~

~~(2) for single individuals and married individuals
filing separate returns:~~

~~If adjusted gross income is: The following percent of
medical care expenses paid may
be deducted:~~

~~Not over \$15,000~~ ~~25 percent~~

~~More than \$15,000 but not more than
\$35,000~~ ~~15 percent~~

~~Over \$35,000~~ ~~10 percent; and~~

~~(3) for heads of household:~~

~~If adjusted gross income is: The following percent of
medical care expenses paid may
be deducted:~~

~~Not over \$20,000~~ ~~25 percent~~

~~More than \$20,000 but not more than
\$50,000~~ ~~15 percent~~

~~Over \$50,000~~ ~~10 percent.]~~

B. A taxpayer allowed a deduction pursuant to this section
shall report the amount of the deduction to the department in a

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manner required by the department.

C. The deduction 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 deduction.

[~~G.~~] D. As used in this section:

(1) "dependent" means "dependent" as defined in Section 152 of the Internal Revenue Code;

(2) "health care facility" means a hospital, outpatient facility, diagnostic and treatment center, rehabilitation center, free-standing hospice or other similar facility at which medical care is provided;

(3) "medical care" means the diagnosis, cure, mitigation, treatment or prevention of disease or for the purpose of affecting any structure or function of the body;

(4) "medical care expenses" means amounts paid for:

(a) the diagnosis, cure, mitigation, treatment or prevention of disease or for the purpose of affecting any structure or function of the body, excluding cosmetic surgery, if provided by a physician or in a health care facility;

(b) prescribed drugs or insulin;

(c) qualified long-term care services as defined in Section 7702B(c) of the Internal Revenue Code;

(d) insurance covering medical care, including amounts paid as premiums under Part B of Title 18 of the federal Social Security Act or for a qualified long-term care insurance contract defined in Section 7702B(b) of the Internal Revenue Code,

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if the insurance or other amount is paid from income included in the taxpayer's adjusted gross income for the taxable year;

(e) nursing services, regardless of where the services are rendered, if provided by a practical nurse or a professional nurse licensed to practice in the state pursuant to the Nursing Practice Act;

(f) specialized treatment or the use of special therapeutic devices if the treatment or device is prescribed by a physician and the patient can show that the expense was incurred primarily for the prevention or alleviation of a physical or mental defect or illness; and

(g) care in an institution other than a hospital, such as a sanitarium or rest home, if the principal reason for the presence of the person in the institution is to receive the medical care available; provided that if the meals and lodging are furnished as a necessary part of such care, the cost of the meals and lodging are "medical care expenses";

(5) "physician" means a medical doctor, osteopathic physician, dentist, [~~pediatrist~~] podiatric physician, chiropractic physician or psychologist licensed or certified to practice in New Mexico; and

(6) "prescribed drug" means a drug or biological that requires a prescription of a physician for its use by an individual."

SECTION 24. Section 7-9-93 NMSA 1978 (being Laws 2004, Chapter 116, Section 6, as amended) is amended to read:

"7-9-93. DEDUCTION--GROSS RECEIPTS--CERTAIN RECEIPTS FOR SERVICES PROVIDED BY HEALTH CARE PRACTITIONER OR ASSOCIATION OF HEALTH CARE PRACTITIONERS.--

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A. Receipts of a health care practitioner or an association of health care practitioners for commercial contract services or medicare part C services paid by a managed care organization or health care insurer may be deducted from gross receipts if the services are within the scope of practice of the health care practitioner providing the service. Receipts from fee-for-service payments by a health care insurer may not be deducted from gross receipts.

B. Prior to July 1, [~~2028~~] 2032, receipts from coinsurance, a copayment or deductible paid by an insured or enrollee to a health care practitioner or an association of health care practitioners for commercial contract services pursuant to the terms of the insured's health insurance plan or enrollee's managed care health plan may be deducted from gross receipts if the services are within the scope of practice of the health care practitioner providing the service.

C. The deductions provided by this section shall be applied only to gross receipts remaining after all other allowable deductions available under the Gross Receipts and Compensating Tax Act have been taken.

D. A taxpayer allowed a deduction pursuant to this section shall report the amount of the deduction separately in a manner required by the department.

E. The deductions provided by this section shall be included in the tax expenditure budget pursuant to Section 7-1-84 NMSA 1978 with an analysis of the cost of the deductions.

F. As used in this section:

(1) "association of health care practitioners" means a corporation, an unincorporated business entity or other legal entity organized by, owned by or employing one or more health care

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practitioners; provided that the entity is not:

(a) an organization granted exemption from the federal income tax by the United States commissioner of internal revenue as organizations described in Section 501(c)(3) of the United States Internal Revenue Code of 1986, as that section may be amended or renumbered; or

(b) a health maintenance organization, a hospital, a hospice, a nursing home or an entity that is solely an outpatient facility or intermediate care facility licensed pursuant to the [~~Public Health Act~~] Health Care Code;

(2) "commercial contract services" means health care services performed by a health care practitioner pursuant to a contract with a managed care organization or health care insurer other than those health care services provided for medicare patients pursuant to Title 18 of the federal Social Security Act or for medicaid patients pursuant to Title 19 or Title 21 of the federal Social Security Act;

(3) "copayment" or "coinsurance" means [~~a fixed dollar~~] an amount that a health care insurer or managed care health plan requires an insured or enrollee to pay upon incurring an expense for receiving medical services;

(4) "deductible" means the amount of covered charges an insured or enrollee is required to pay in a plan year for commercial contract services before the insured's health insurance plan or enrollee's managed care health plan begins to pay for applicable covered charges;

(5) "fee-for-service" means payment for health care services by a health care insurer for covered charges under an indemnity insurance plan;

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(6) "health care insurer" means a person that:

(a) has a valid certificate of authority in good standing pursuant to the New Mexico Insurance Code to act as an insurer, a health maintenance organization or a nonprofit health care plan or prepaid dental plan; and

(b) contracts to reimburse licensed health care practitioners for providing basic health services to enrollees at negotiated fee rates;

(7) "health care practitioner" means:

(a) a chiropractic physician licensed pursuant to the provisions of the Chiropractic Physician Practice Act;

(b) a dentist or dental hygienist licensed pursuant to the Dental Health Care Act;

(c) a doctor of oriental medicine licensed pursuant to the provisions of the Acupuncture and Oriental Medicine Practice Act;

(d) an optometrist licensed pursuant to the provisions of the Optometry Act;

(e) an osteopathic physician licensed pursuant to the provisions of the Medical Practice Act;

(f) a physical therapist licensed pursuant to the provisions of the Physical Therapy Act;

(g) a physician or physician assistant licensed pursuant to the provisions of the Medical Practice Act;

(h) a podiatric physician licensed pursuant to

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the provisions of the Podiatry Act;

(i) a psychologist licensed pursuant to the provisions of the Professional Psychologist Act;

(j) a registered lay midwife registered by the department of health;

(k) a registered nurse or licensed practical nurse licensed pursuant to the provisions of the Nursing Practice Act;

(l) a registered occupational therapist licensed pursuant to the provisions of the Occupational Therapy Act;

(m) a respiratory care practitioner licensed pursuant to the provisions of the Respiratory Care Act;

(n) a speech-language pathologist or audiologist licensed pursuant to the Speech-Language Pathology, Audiology and Hearing Aid Dispensing Practices Act;

(o) a professional clinical mental health counselor, marriage and family therapist or professional art therapist licensed pursuant to the provisions of the Counseling and Therapy Practice Act who has obtained a master's degree or a doctorate;

(p) an independent social worker licensed pursuant to the provisions of the Social Work Practice Act; and

(q) a clinical laboratory that is accredited pursuant to 42 U.S.C. Section 263a but that is not a laboratory in a physician's office or in a hospital defined pursuant to 42 U.S.C. Section 1395x;

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(8) "managed care health plan" means a health care plan offered by a managed care organization that provides for the delivery of comprehensive basic health care services and medically necessary services to individuals enrolled in the plan other than those services provided to medicare patients pursuant to Title 18 of the federal Social Security Act or to medicaid patients pursuant to Title 19 or Title 21 of the federal Social Security Act;

(9) "managed care organization" means a person that provides for the delivery of comprehensive basic health care services and medically necessary services to individuals enrolled in a plan through its own employed health care providers or by contracting with selected or participating health care providers. "Managed care organization" includes only those persons that provide comprehensive basic health care services to enrollees on a contract basis, including the following:

- (a) health maintenance organizations;
- (b) preferred provider organizations;
- (c) individual practice associations;
- (d) competitive medical plans;
- (e) exclusive provider organizations;
- (f) integrated delivery systems;
- (g) independent physician-provider organizations;
- (h) physician hospital-provider organizations;
- (i) managed care services organizations; and

and

(10) "medicare part C services" means services

