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HOUSE BILL 167

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

INTRODUCED BY

Ben Lujan

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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underscored material = new  
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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 [ <del>but not over \$100,000</del> ]	\$ 3,432 plus [ <del>7.9%</del> ] <u>7.7%</u> of
23		excess over \$ 64,000
24	[ <del>Over \$100,000</del> ]	<del>\$ 6,276 plus 8.2% of</del>
25		<del>excess over \$100,000</del> ].

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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 [ <del>but not over \$ 65,000</del> ]	\$2,240.50 plus [7.9%] <u>7.7%</u> of
13		excess over \$ 42,000
14	<del>[Over \$ 65,000</del>	<del>\$4,057.50 plus 8.2% of</del>
15		<del>excess over \$ 65,000].</del>

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

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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:

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.

20 B. For surviving spouses and married individuals  
21 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

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
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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. "