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HOUSE BILL 37

56TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2024

INTRODUCED BY

Christine Chandler

AN ACT

RELATING TO TAXATION; LIMITING THE CAPITAL GAINS DEDUCTION PURSUANT TO THE INCOME TAX ACT.

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

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

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

- [Except as provided in Subsection C of this section] A taxpayer may claim a deduction from net income in an amount equal to the greater of:
- (1) the taxpayer's net capital gain income for the taxable year for which the deduction is being claimed, but not to exceed [one thousand dollars (\$1,000)] two thousand five hundred dollars (\$2,500); or
- forty percent of up to one million dollars (2) .227007.1

(\$1,000,000) of the taxpayer's net capital gain income <u>from the</u> sale of a business that is allocated or apportioned to New Mexico pursuant to Section 7-2-11 NMSA 1978 for the taxable year for which the deduction is being claimed.

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

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

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

SECTION 2. APPLICABILITY.--The provisions of this act apply to taxable years beginning on or after January 1, 2025.

SECTION 3. EFFECTIVE DATE.--The effective date of the provisions of this act is January 1, 2025.

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