HOUSE TAXATION AND REVENUE COMMITTEE SUBSTITUTE FOR
HOUSE BILL 162

50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012

AN ACT

RELATING TO TAXATION; PROVIDING FOR CERTAIN AMOUNTS OF MILITARY
RETIREMENT OR RETAINER PAY OF AN ARMED FORCES RETIREE TO BE
EXEMPT FROM STATE INCOME TAX.

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

SECTION 1. A new section of the Income Tax Act is enacted
to read:

"[NEW MATERIAL] EXEMPTION--ARMED FORCES RETIREE.--

A. An individual who is an armed forces retiree or
a surviving spouse of an armed forces retiree and receives
military retirement or retainer pay may claim an exemption of
the following amounts of the military retirement or retainer
pay, from income includable, except for this exemption, in net
income:

(1) beginning January 1, 2013, twenty-five

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percent;

     (2) beginning January 1, 2014, fifty percent;

     (3) beginning January 1, 2015, seventy-five percent; and

     (4) beginning January 1, 2016, one hundred percent.

    B. The purpose of the exemption provided in this section is to encourage armed forces retirees to move to New Mexico so that New Mexico's work force benefits from the expertise of armed forces retirees.

    C. The department shall annually report to the revenue stabilization and tax policy committee and the legislative finance committee aggregate amounts of exemptions taken pursuant to this section and the number of taxpayers claiming the exemption to determine that the exemption is performing the purpose for which it is enacted.

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

    E. As used in this section, "armed forces retiree" means a former member of the armed services of the United States who has qualified by years of service or disability to separate from military service with lifetime benefits."

    SECTION 2. APPLICABILITY.--The provisions of this act apply to taxable years beginning on or after January 1, 2013.

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SECTION 3. EFFECTIVE DATE.--The effective date of the provisions of this act is January 1, 2013.

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