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NM Income Tax changes for the coming filing season

Taxpayers will find several changes when they begin preparing their 2019 New Mexico Personal Income Tax returns this year.

Many New Mexico families will benefit from two changes passed by the 2019 Legislature and signed into law by Gov. Michelle Lujan Grisham – an increase in the state’s Working Families Tax Credit and a new deduction for dependents designed to offset a negative effect of the 2017 federal Tax Cuts and Jobs Act.

Also new for this filing year is a change in the deduction for capital gains.

The Taxation and Revenue Department has begun accepting returns filed through its Taxpayer Access Point system. The Department will begin accepting E-file returns at the same time as the Internal Revenue Service, which is expected on Jan. 27.

Here is a brief summary of the major changes this year.

Working Families Tax Credit

The Working Families Credit is based on the federal Earned Income Tax Credit and is now worth 17% of the value of the EITC, up from 10 percent previously. Qualifications for the state credit are the same as for the federal credit.

The maximum value of the federal and state credits combined, which is based on earned income and family size, ranges from \$618.93 to \$7,671.69.

People may qualify for the credit and a refund even if they do not have any tax liability. As many as 216,000 New Mexicans may be eligible.

Applicants and their children must have valid social security numbers, and taxpayers cannot claim the credit if their filing status is *married filing separately*.

More information on income and other requirements and qualifications can be found at [IRS.gov](https://www.irs.gov).

Deduction for dependents

New Mexico taxpayers with dependents may now take a \$4,000 deduction from net income for all but one dependent. This change was intended to offset the elimination of the personal exemption from federal income taxes.

Taxpayers claiming the deduction must file as either head of household or married filing jointly. The definition of dependent is the same as in the Internal Revenue Service code.

A worksheet will be available for determining the deductions, but it does not need to be submitted with the PIT form.

Capital Gains Deduction

Taxpayers can deduct the first \$1,000 in net capital gains income or 40 percent of all net capital gains, whichever is greater. Taxpayers previously could take a deduction of up to 50 percent of net capital gains.

Filing help

Low-income taxpayers and senior citizens may be able to get help with their tax returns through a variety of organizations. A list with contact information for many of those services is available at tax.newmexico.gov. A link to the list can be found under the “Individuals” tab on the home page and then under “File Your Taxes”.