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HOUSE BILL 307

45TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2001

INTRODUCED BY

Ted Hobbs

AN ACT

RELATING TO TAXATION; ENACTING A NEW SECTION OF THE GROSS RECEIPTS AND COMPENSATING TAX ACT TO PROVIDE A COMPENSATING TAX DEDUCTION FOR CERTAIN CONTRIBUTIONS OF INVENTORY.

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

Section 1. A new section of the Gross Receipts and Compensating Tax Act is enacted to read:

"[NEW MATERIAL] DEDUCTION--COMPENSATING TAX-- CONTRIBUTIONS OF INVENTORY TO CERTAIN ORGANIZATIONS AND GOVERNMENTAL AGENCIES. --

A. Except as provided otherwise in Subsection D of this section, the value of tangible personal property that is removed from inventory and contributed to organizations that have been granted exemption from the federal income tax by the United States commissioner of internal revenue as

underscored material = new
[bracketed material] = delete

1 organizations described in Section 501(c)(3) of the Internal
2 Revenue Code of 1986, as amended, may be deducted in computing
3 the compensating tax due. The tangible personal property must
4 be employed in the conduct of functions described in that
5 section and shall not be employed in the conduct of an
6 unrelated trade or business as defined in Section 513 of the
7 Internal Revenue Code of 1986, as amended.

8 B. Except as provided otherwise in Subsection D of
9 this section, the value of tangible personal property that is
10 removed from inventory and contributed to the United States or
11 New Mexico or any governmental unit or subdivision, agency,
12 department or instrumentality thereof may be deducted in
13 computing the compensating tax due.

14 C. Except as provided otherwise in Subsection D of
15 this section, the value of tangible personal property that is
16 removed from inventory and contributed to an Indian tribe,
17 nation or pueblo or any governmental subdivision, agency,
18 department or instrumentality thereof for use on that Indian
19 reservation or pueblo grant may be deducted in computing the
20 compensating tax due.

21 D. Unless contrary to federal law, the deduction
22 provided by this section does not apply to:

23 (1) a contribution of metalliferous mineral
24 ore;

25 (2) a contribution of tangible personal

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[bracketed material] = delete

1 property that is or will be incorporated into a metropolitan
2 redevelopment project created under the Metropolitan
3 Redevelopment Code;

4 (3) a contribution of tangible personal
5 property that will become an ingredient or component part of a
6 construction project; or

7 (4) a contribution of tangible personal
8 property utilized or produced in the performance of a service.

9 E. For purposes of this section:

10 (1) "inventory" means tangible personal
11 property held for sale or lease in the ordinary course of
12 business; and

13 (2) "contributed" or "contribution" means a
14 transfer of ownership without consideration. Public
15 acknowledgment of the contribution does not constitute
16 consideration for the purpose of this section."

17 Section 2. EFFECTIVE DATE. -- The effective date of the
18 provisions of this act is July 1, 2001.