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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/15/13  
 SPONSOR Sharer LAST UPDATED 02/20/13 HB \_\_\_\_\_

SHORT TITLE Reform Tax Code SB 368

ANALYST Walker-Moran

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15	FY16	FY17		
	***	***	***	***	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

\*\*\*See Fiscal Implications

Duplicate to HB 369

### SOURCES OF INFORMATION

LFC Files

### RESPONSES

- State Land Office (SLO)
- Youth Conservation Corps (YCC)
- Attorney General’s Office (AGO)
- State Treasurer’s Office (STO)
- Environmental, Minerals, and Natural Resources Department (EMNRD)
- Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

At the sponsor’s request, Senate Bill 368 and House Bill 369 have been referred to six committees.

#### Personal Income, Corporate Income Tax, Franchise Tax, Estate Tax

Senate Bill 368 (SB 368) amends several sections of the tax code. References to income tax, income tax returns, Income Tax Act, corporate income, franchise tax, and estate tax have been deleted.

Section 7-1-12, NMSA 1978, the applicability of the tax administration act, is amended to repeal: 1. The Income Tax Act; 2. The Venture Capital Investment Act; 3. The Estate Tax Act; 4. The Railroad Car Company Tax Act; and 5. The Corporate Income and Franchise Tax Act.

The bill also repeals the Motor vehicle excise tax and leased vehicle gross receipts tax.

#### Gross Receipts

A new section of the Gross Receipts and Compensating Tax Act is enacted. The gross receipts tax rate is reduced but expanded.

Section 7-1-6.4 is amended to reduce the municipality gross receipts tax distribution. The quotient is reduced to 0.508 percent (currently 1.225 percent). Sections 7-1-6.16 and 7-1-6.55, county equalization distribution and distribution to municipality equalization, are similarly amended.

This bill also amends the authority of counties and municipalities to impose certain local option gross receipts tax rates.

Section 7-1-8 amends the confidentiality requirements to clarify that the release of information should not violate an agreement between the state and the federal IRS per the Internal Revenue Code.

Section 7-1-14, the taxable gross receipts act, adds all wages, receipts from dividends or interest earned, and all receipts from the sale or lease of oil, gas or mineral interest subject to the gross receipts tax.

The gross receipts tax is reduced to 2.125 percent (currently 5.125 percent) of gross receipts.

The governmental gross receipts tax is reduced to 2.125 percent (currently 5 percent) of gross receipts. An entity licensed by the DOH that is principally engaged in providing health care services is now subject to the governmental gross receipts tax.

The compensating tax is reduced to 2.125 percent (currently 5.125 percent) of the value of tangible property and the value of the services at the time they were rendered.

Unless explicitly stated the following are no longer exempt from the GRT or the compensating tax: governmental agencies, services performed outside the state, certain organizations, certain nonprofit facilities, wages, agricultural products, food stamps, livestock feeding, vehicles, boats, and insurance companies.

In computing the GRT or government GRT due all deductible receipts whether specified as deductible once or several times in the gross receipts and compensating tax act may be deducted only once from the gross receipts or governmental gross receipts. Currently only selected deductions apply.

#### Municipal GRT

After July 1, 2013 the municipality may no longer impose the supplemental municipal gross receipts tax.

A new section is introduced to limit the rate imposed by all ordinances enacted pursuant to the municipal local option gross receipts not to exceed 0.5 percent. The municipal gross receipts tax is reduced to 0.5 percent (currently 1.5 percent).

Several of the municipal gross receipts taxes are reduced to 0.05 percent (currently 0.0625 percent).

Tax Expenditures: Exemptions, Deductions and Credits

Several exemptions, deductions and credits are being repealed in this bill (identified on page 7).

Other repeals

This bill also repeals the minor league baseball stadium funding act, the municipal event center funding act, the venture capital investment act, and the university athletic facility funding act.

Debt Service

Bonds issued per section 7-19-17 NMSA 1978 will no longer be issued after July 1, 2014. This bill provides for continued repayment of existing debt service obligations.

The effective date of this bill is July 1, 2013 for sections 37, 48 and 68 of the bill. The effective date of this bill is July 1, 2014 for sections 36, 38 through 47, 49 through 67 and 69 through 82.

**FISCAL IMPLICATIONS**

\*\*\*The Taxation and Revenue Department (TRD) reports that they cannot estimate the impact of the bill due to complexity of changes and timing constraints.

Due to the increasing cost of tax expenditures revenues may be insufficient to cover growing recurring appropriations. Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the expenditure's fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures.

**SIGNIFICANT ISSUES**

A massive overhaul of the state's tax code may require significant changes in reporting and monitoring software by government agencies and in the private sector.

Summary by the TRD:

The bill provides for the comprehensive repeal and replacement of numerous, but not all tax programs. The bill is structured around the re-writing of the Gross Receipts & Compensating Tax Act, and eliminates corporate and personal income taxes. As a result, significant modifications of existing statutory language and references are required to implement the intent of the legislation. As an initial observation, it is probably preferable that a comprehensive repeal of the Gross Receipts & Compensating Tax Act be adopted, with a "re-write from scratch" of the intended tax provisions to avoid inconsistencies and unintended consequences. That said, the value of the draft in its current form is to provide a very explicit identification of the intents and purposes of the tax code modifications.

Several summary tax policy observations are important. First, the most fundamental trade-off in scrapping the existing GRT/CIT/PIT tax structure is to substantially lower tax rates and apply that lower rate to a broader tax base. As a result, tax policy issues characterized at tax rates of 5 percent to 8 percent may be fundamentally reshaped at a 2 percent to 2.5 percent tax rate. By example, a 7 percent to 8 percent GRT rate on sales of food is made substantially less regressive at a 2 percent tax rate. Similarly, the economic effects of tax pyramiding are profoundly different at substantially lower tax rates.

Second, the proposal addresses taxation principles designed to replace state revenue requirements, but does not repeal county and municipal local option GRT tax programs. This will have an important impact to decouple state tax revenue requirements from the independent authority of individual political subdivisions to choose specific tax programs to meet local needs. Such local taxes would build on the state tax revenues streams restated at much lower tax rates.

In retaining a “gross receipts and compensating tax” foundation, an important fact regarding New Mexico is recognized. The magnitude of non-taxable federal and Indian land holdings in the state virtually precludes imposition of property tax as an adequate foundation of governmental revenues. New Mexico is different from most states in this singular attribute.

Finally, the intent of the proposal is to reset the complex social policies that have evolved through individual tax expenditures — eliminating virtually all of the credits, exemptions and deductions that now burden any fairness or equity analysis of state tax policy. In such broad and fundamental tax reform there will be many “winners” as well as “losers.” The foundation of such comprehensive reform must be the recognition, acceptance and commitment to a new tax policy that is required to move New Mexico to a re-visioned economic future.

Tax Reform Proposal — this bill is structured around re-writing the Gross Receipts & Compensation Tax Act to broaden the base of economic transactions subject to taxation. The broader tax base allows the lowering of the GRT tax rates to produce equivalent revenues to the state. Implementing this revised tax policy, the reform also eliminates and modifies a number of other tax programs, while retaining a number of existing tax programs.

This bill proposes specific tax rates, but it is understood (from the sponsors) that these are estimated rates that will need to be verified by economic analysis and testing.

Gross receipts tax rates are reduced by 3 percent to 2.125 percent, on the premise that the enlarged taxable base will produce the same revenues as currently obtained from taxation. Governmental gross receipts taxes are also reduced by 3 percent to 2.125 percent, on the same premise.

Compensating tax rates are reduced by 3 percent to 2.125 percent, again on the premise that the enlarged taxable base will produce the same revenues as are currently obtained from taxation.

*Table 1* (at the end of the FIR) summarizes the repealed and retained taxes and tax related acts.

Wages, salary, dividends and interests are subject to the GRT. Wages are to be earned at the employers “place of business” and are to be reported from that place of business. Persons engaged in investing must identify the “place of business” for dividends or interest earned at the person’s primary place of residence. Taxes withheld on wages shall continue to be withheld by

an employer based on withholding tables furnished by the TRD based on the approximated GRT liability of taxpayers from wages received, and shall be applied against the taxpayers gross receipt tax liability for the taxable year. The definition of “gross receipts” is expanded to include services performed as an employee for an employer, and dividends and interest received by the taxpayer.

There is created a refund of the GRT and compensating tax to taxpayers on wages withheld, based on family size and percentage of federal poverty level (FPL) guidelines that ranges up to 210 percent of FPL, with the intent to remove the regressivity of the flat percentage taxes on wages. The issues of this regressive tax structure should also recognized that PIT is currently at 4.9 percent of taxable income, and under the new GRT structure would be taxed at an approximate 2 percent rate.

Focusing on the changes to personal income tax liability provided by the switch to the GRT tax basis, *table 1* (at the end of the FIR) summarizes the adjustment to taxable income provided in the bill.

For persons engaged in the business of selling or leasing oil, gas or mineral interests, the "place of business" is the location of the oil, gas or mineral interests sold or leased, and all receipts from the sale or lease of oil gas or mineral interests are to be reported from that place of business.

The enlarged taxable base would be inclusive of entities licensed by the Department of Health that is principally engaged in providing health care services, including not-for-profit health care enterprises. The GRT base will include money paid for eligible medical expenses from qualified medical care savings accounts, although Federal income tax benefits will continue to accrue to the principal contributed by an employer and the interest earned on a medical care savings account. (No analysis is provided herein of the Affordable Care Act provisions.)

The definition of the GRT is expanded to include leased vehicle gross receipts tax payable, amounts received by a New Mexico florist from the sale of flowers, plants or other products that are customarily sold by florists where the sale is made pursuant to orders placed with an out-of-state florist for filling and delivery in New Mexico by a New Mexico florist, but is narrowed to exclude gifts and donations.

A variety of contributions to organizations that have been granted exemption from the federal income tax by the IRS as Section 501(c)(3) organizations will be made subject to taxation. Restrictions on the enforcement of compensating tax are repealed on purchases made 1) if the property is used only for non-business purposes, and 2) the property is not a manufactured home.

There are a number of clarifications provided, particularly where a tax program that is repealed is used as a foundation for another social program (e.g., food stamp eligibility) or liability under the statutes.

The state treasury is required to continue to administer the "Tax Administration Suspense Fund", the "Extraction Taxes Suspense Fund" and the "Workers' Compensation Collections Suspense Fund" for the purpose of making the disbursements authorized by the Tax Administration Act.

Tax Expenditures — Among of the most vexing and challenging components of assessing the current GRT act is evaluating the benefits obtained and costs incurred as a result of the several

hundred credits, exemptions and deductions provided by statute and regulatory policies. It is believed that the intent of the bill is to remove (nearly) all tax expenditures, and *Table 3* (at the end of the FIR) identifies those that are explicitly identified as repealed by the legislation.

Distributions of Tax Revenues & Local Option Taxes — Distributions of gross receipts and compensating taxes to political subdivisions, as well as county equalization distributions, are not changed, except in the percentage of collected revenues. It is assumed (but not tested) that the distributed revenues are intended to remain the same under the lower percentage rates stated by the legislation.

The provisions for authorization to impose supplemental municipal gross receipts tax for issuance of supplemental municipal gross receipts bonds are sunset on July 1, 2013. Correspondingly, ordinances allowing the issuance of these supplemental gross receipts taxes are repealed upon the repayment of the bonds so issued.

However, these provisions are replaced with the Municipal Local Option Gross Receipts Taxes Act, allowing voter approved ordinances approving taxes that shall not exceed a rate of 0.5 percent of the gross receipts of any person engaging in business in the municipality, which may be imposed in increments of 0.005 percent. Similar provisions are provided for Environmental Services Gross Receipts Taxes, Municipal Infrastructure Gross Receipts Taxes, Municipal Capital Outlay Gross Receipts Taxes, Quality of Life Gross Receipts Taxes, Municipal Regional Spaceport Gross Receipts Taxes, Municipal Higher Education Facilities Gross Receipt Taxes, Municipal Federal Water Project Gross Receipts Taxes, and Local Hospital Gross Receipts Taxes.

There is also a reduction in the tax rate percentage allowed for County Indigent Care excise taxes to reflect the enlarged GRT tax base. Similar modifications are made to the County Emergency, County Hospital Emergency, Special County Hospital, County Fire Protection, County Environmental Services, County Health Care, County Infrastructure, County Education, County Capital Outlay, Countywide Emergency Communications and Emergency Medical and Behavioral Health Services, County Regional Transit, County Quality of Life, County Regional Spaceport, County Water and Sanitation, County Business Retention, and County Correctional Facility Gross Receipts Tax authority.

The total excise tax imposed by all ordinances enacted pursuant to the Municipal and County Local Option Gross Receipts Taxes are capped at rates consistent with the expanded tax base.

Additional fiscal impacts may be associated with the elimination of the “hold harmless” payments to municipalities and counties to offset the food and health care practitioner services deductions from the GRT.

Various wording changes are required in property tax restrictions to reflect the elimination of the personal income tax provisions that are replaced by the GRT provisions. Similarly, a variety of other administrative programs are adjusted to reflect changes in the basis for taxation.

The State Land Office (SLO) Comments:

Because the rate of the flat rate gross receipts tax is not set out in the proposed amendments it is not possible to evaluate the impact on the SLO lessees.

There are no changes to the telecommunication relay service surcharge and no changes to various taxes under the Oil and Gas Tax Acts or the Copper Production Ad Valorem Tax Act, so there would be less impact on these industries.

The Youth Conservation Corps (YCC) Comments:

The YCC's only source of funding is revenue from the GGRT. (Calculations will be based on estimated revenue for FY13 of \$3.5 million). SB 368 proposes to reduce the GGRT collections from the current 5 percent to 2.125 percent. The fiscal impact on the YCC could be extensive. If the other changes to the gross receipts tax do not offset the GGRT rate reduction, then instead of an estimated \$3.5 million, the YCC would receive approximately \$1.5 million.

The Energy, Mineral and Natural Resources Department (EMNRD) Comments:

The EMNRD will see a significant reduction in revenue due particularly to the reduction in the GGRT rate. There will also be smaller reductions due to the loss of contributions from the income tax returns. The GGRT revenue for State Parks is also allocated for the repayment of bonds. The reduction in the GGRT may result in annual revenue that is less than what is already committed to bond payments.

The EMNRD reports negative impacts on several of their programs including: State Parks Division, the Kids n Parks Education Program, and Energy Conservation and Management Program.

**ADMINISTRATIVE IMPLICATIONS**

There is an extremely high impact on the TRD. The CRS tax program will change completely. A new or revised CRS form will be needed. The change would require reprogramming of the GenTax system, and the creation of new returns to claim the credit in Section 36. Several outreach workshops throughout the state to educate businesses and individuals. All publications will need to be revised. An implementation date of January 1, 2014, would not be possible, with all the revisions to forms, publications, etc. that would need to be put in place. For employees, this may entail a completely new annual, semi-annual, quarterly or monthly reconciliation form, which will substitute for the personal income tax form. There would be high education needs for taxpayers and department employees.

The TRD also reports a high impact on ITD/GenTax. It involves CRS rate changes to each option level on every location and intensive changes on CRS return to merge personal income tax into gross receipts tax on wages, which include changes on CRS Doc and configuration in GenTax, EDCR, CRSNET and extracting process. Totaling at least 1500 hours.

The State Treasurer's Office (STO) would have to evaluate how the general fund would be affected and whether the STO's automated systems can implement the necessary changes. The various governmental entities would have to make a determination whether these changes would affect any programs that are funded through tax monies.

The EMNRD reports that many needed capital improvement projects will not be completed resulting in deferred maintenance and failure to provide quality outdoor recreation experiences for approximately 4.5 million visitors annually to State Parks. Other funding alternatives will have to be pursued such as General Fund appropriations to provided funding for projects since there is no other dedicated recurring funding for this purpose.

The move to a flat rate gross receipts tax would impact how withholdings for the SLO employees would be calculated. For example, employees would no longer have the benefit of contributing pre-state tax dollars for insurance, medical care savings accounts, and deferred compensation.

### TECHNICAL IMPLICATIONS

Section 36, lines 20-21 - allows a New Mexico business who files a gross receipts tax return, to be able to claim the credit even if that business has had no tax withheld from their salary.

### OTHER SUBSTANTIVE ISSUES

As reported by the TRD, beginning on page 53, Sections 21 and 22, adds new tax practitioner and electronic filing requirements to other tax programs, like CRS. This is a significant change and should be added to the bill short title. Some deductions are being repealed which exist to prevent tax pyramiding.

The following the GRT deductions were left in the bill: Sale of tangible personal property or licenses for resale (7-9-47); sales to governmental agencies (7-9-54); transaction in interstate commerce (7-9-55); intrastate transportation and services in interstate commerce (7-9-56); sale of certain services to an out-of-state buyer (7-9-57); sales through world wide web sites (7-9-57.1); sales to state-chartered credit unions (7-9-61.2); uncollectible debts (7-9-67); warranty obligations (7-9-68); administrative and accounting services (7-9-69); rental or lease of vehicles used in interstate commerce (7-9-70); Credit, compensating tax (7-9-79) and services (7-9-79.1); lottery retailer receipts (7-9-87); Credit; gross receipts tax; tax paid to certain tribes (7-9-88.1) Credit; gross receipts tax; tax paid to Navajo Nation on receipts from selling coal (7-9-88.2); sales to certain accredited diplomats and missions (7-9-89); contributions of inventory to certain organizations and governmental agencies (7-9-91).

The following exemptions were left in the bill: Sections receipts subject to certain other taxes (7-9-13.2); governmental agencies; Indians (7-9-14); certain receipts of homeowners associations (7-9-20); fuel subject to certain other taxes (7-9-26); railroad equipment, aircraft and space vehicles (7-9-30).

Section 7-9-43 was left in the bill, however, if the intent is to eliminate all deductions and exemptions, Section 7-9-43 would not be necessary since there would not be a need to address how deductions can be supported.

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate



<b>Table 1: Repealed and Retained Taxes and Tax Related Acts</b>		
<b>Taxes Eliminated by the Bill</b>	<b>Taxes Retained by the Bill</b>	<b>Taxes Amended by the Bill</b>
<ul style="list-style-type: none"> <li>• Income Tax Act</li> <li>• Corporate Income &amp; Franchise Tax Act</li> <li>• Venture Capital Investment Act</li> <li>• Estate Tax Act</li> <li>• Railroad Car Company Tax Act</li> <li>• Motor Vehicle Excise Tax</li> <li>• Leased Vehicle Gross Receipts Tax</li> <li>• Oil and Gas Proceeds and Pass-Through Entity Withholding Tax</li> <li>• Uniform Division of Income for Tax Purposes Act</li> <li>• Research &amp; Development Small Business Tax Credit Act</li> <li>• Affordable Housing Tax Credit Act</li> <li>• Alternative Energy Product Manufacturers Tax Credit Act</li> <li>• Technology Jobs Tax Credit Act</li> <li>• Laboratory Partnership with Small Business Tax Credit Act</li> <li>• Investment Credit Act</li> <li>• University Athletic Facility Funding Act</li> <li>• Boat Excise Tax</li> <li>• Minor League Baseball Stadium Funding Act</li> <li>• Municipal Event Center Funding Act</li> </ul>	<ul style="list-style-type: none"> <li>• Withholding Tax Act</li> <li>• Gross Receipts &amp; Compensating Tax Act (State &amp; Local Option)</li> <li>• Liquor Excise Tax Act (State and Local)</li> <li>• Special Fuels Supplier Tax Act</li> <li>• Gasoline Tax Act</li> <li>• Petroleum Products Loading Fee</li> <li>• Alternative Fuels Tax Act</li> <li>• Cigarette Tax Act</li> <li>• New Mexico Filmmaker Tax Credit</li> <li>• Multistate Tax Compact</li> <li>• Tobacco Products Tax Act</li> <li>• Telecommunications Relay Service Surcharge</li> <li>• Premium Tax</li> </ul>	<ul style="list-style-type: none"> <li>• Resources Excise Tax Act</li> <li>• Severance Tax Act</li> <li>• Severance Surtaxes</li> <li>• Oil and Gas Severance Tax Act</li> <li>• Oil and Gas Conservation Tax Act</li> <li>• Oil and Gas Emergency School Tax Act</li> <li>• Oil and Gas Ad Valorem Production Tax Act</li> <li>• Natural Gas Processors Tax Act</li> <li>• Oil and Gas Production Equipment Ad Valorem Tax Act</li> <li>• Valorem Tax Act</li> <li>• Copper Production Ad Valorem Tax Act</li> <li>• Advanced Tax Payments</li> <li>• Enhanced Oil Recovery Act Natural Gas and Crude Oil Production</li> <li>• Incentive Act</li> <li>• Intergovernmental Production &amp; Production Equipment Tax Credit</li> <li>• Weight Distance Tax Act</li> <li>• Workers Compensation Fee</li> <li>• Uniform Unclaimed Property Act</li> <li>• 911Emergency, Network &amp; Database Surcharge</li> <li>• Solid Waste Act</li> <li>• Water Conservation Fee</li> <li>• Gaming Tax pursuant to the Gaming Control Act</li> </ul>

<b>Table 2. Adjustment to Taxable Income</b>	
<b>“Income” No Longer Subject to Taxation</b>	<b>Income “Adjustments/Deductions” No Longer Allowed</b>

<ul style="list-style-type: none"><li>• Alimony received</li><li>• Business and capital gains income / or losses</li><li>• IRA distributions</li><li>• Pensions and annuities</li><li>• Rents, royalties and partnership income</li><li>• Farm income and losses</li><li>• Unemployment compensation</li><li>• Portion of Social Security</li></ul>	<ul style="list-style-type: none"><li>• Self-employment tax and health insurance</li><li>• Contributions to IRA/Keogh/MSAs/HSAs</li><li>• Alimony paid</li><li>• Student loan interest</li><li>• Penalty on early withdrawal of savings</li><li>• Tuition and fees deduction</li><li>• Domestic production activities deduction</li><li>• Job-related moving expenses</li><li>• Other Expenses (educators, reservists, performing artists and fee-basis government officials)</li><li>• Personal exemptions and Standard or itemized deductions or</li><li>• Itemized deductions including Medical and dental expenses, Taxes paid (state income tax, sales tax, and property tax), Mortgage interest, Gifts to charity, Casualty or theft losses, Job expenses, Other expenses</li></ul>
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**Table 3. Tax Expenditures Repealed**

<ul style="list-style-type: none"> <li>• Rural Jobs Tax Credits</li> <li>• Film Production Tax Credit</li> <li>• High-Wage Jobs Tax Credit</li> <li>• Advanced Energy Tax Credit</li> <li>• Exemption for Stadium Surcharge</li> <li>• Exemption for sale of textbooks from certain bookstores to enrolled students</li> <li>• Exemption for event center surcharge</li> <li>• Exemption for 501(c)(3) organizations</li> <li>• Exemption for nonprofit entities from the operation of facilities designed and used for providing accommodations for retired elderly persons</li> <li>• Exemption for agricultural product and livestock feeding</li> <li>• Exemption for dividends and interest.</li> <li>• Exemption for fuel for space vehicles</li> <li>• Exemption for sale of or leasing of oil, natural gas or mineral interests</li> <li>• Exemption for purses and jockey remuneration from amounts wagered</li> <li>• Exemption of the receipts of a minister of a religious organization for services provided by the minister to an individual recipient of the service</li> <li>• Exemption for an athletic facility surcharge imposed pursuant to the University Athletic Facility Funding Act</li> <li>• Exemption for locomotive engine fuel</li> <li>• Exemption for officiating at New Mexico activities association-sanctioned school events</li> <li>• Deduction for selling tangible personal property to a person engaged in the business of manufacturing</li> <li>• Deduction for selling tangible personal property, licenses or leasing if the sale, licensing or leasing is made to a person for resale</li> <li>• Deduction for selling construction material and construction-related services if the sale is made to a person engaged in the construction business</li> <li>• Deduction for sale or lease of real property and from the lease of a manufactured home</li> <li>• Deduction for sale of "aerospace services" to or for resale to an organization for resale by the organization to the United States</li> <li>• Deductions for receipts from spaceport operations</li> <li>• Deductions for receipts from spaceport operations</li> <li>• Deduction for selling of wind and solar generation equipment to government entities</li> <li>• Deduction for use of property for space-related research and testing</li> <li>• Deduction of value of test articles used in research with the United States</li> <li>• Deduction for sales providing leased telephone lines, telecommunications services, internet services, internet access services or computer</li> </ul>	<ul style="list-style-type: none"> <li>• Deduction for derived from commissions on sales of tangible personal property</li> <li>• Deduction for receipts from payments by the United States government or any agency thereof for provision of medical and other health services by medical doctors, osteopathic physicians, doctors of oriental medicine, athletic trainers, chiropractic physicians, counselor and therapist practitioners, dentists, massage therapists, naprapaths, nurses, nutritionists, dietitians, occupational therapists, optometrists, pharmacists, physical therapists, psychologists, radiologic technologists, respiratory care practitioners, audiologists, speech-language pathologists, social workers and podiatrists or of medical, other health and palliative services by hospices or nursing homes to Medicare beneficiaries pursuant to the provisions of Title 18 of the federal Social Security Act</li> <li>• Deduction for use of tangible personal property for leasing</li> <li>• Deduction for use value of equipment and replacement parts for that equipment used to enrich uranium in a uranium enrichment plant.</li> <li>• Credit for biodiesel blending facility</li> <li>• Deduction for jet fuel purchases</li> <li>• Deductions for tangible property removed from inventory and contributed to 501(c)(3) organizations</li> <li>• Deduction for fundraising events by 501(c) organizations</li> <li>• Deductions for selling or leasing property and from performing services if made to a qualified film production company</li> <li>• Deduction for selling uranium hexafluoride and from providing the service of enriching uranium</li> <li>• Deductions for the sale of food at a retail food store</li> <li>• Deduction for payments by a managed health care provider or health care insurer for commercial contract services or Medicare part C services provided by a health care practitioner</li> <li>• Deduction for transformational acquisition programs performing research and development, test and evaluation at New Mexico major range and test facility bases pursuant to contracts entered into with the United States department of defense</li> <li>• Deduction for "tax holiday" sale at retail of the following types of tangible personal property may be deducted if the sale of the property occurs during the period beginning at 12:01 a.m. on the first Friday in August and ending at midnight on the following Sunday</li> </ul>
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<p>programming that will be used by other persons in providing internet access and related services to the final user.</p> <ul style="list-style-type: none"> <li>• Deduction for sales from hosting world wide web sites</li> <li>• Deduction for trade-support if the trade-support company locates in New Mexico within twenty miles of a port of entry on New Mexico's border with Mexico</li> <li>• Deduction for an eligible software development company from the sale of software development services that are performed in a qualified</li> <li>• Deduction for selling feed, fertilizer, insecticides, water for irrigation, and auctioneering services</li> <li>• Deduction for warehousing, threshing, harvesting, growing, cultivating and processing agricultural products</li> <li>• Deduction from selling tangible personal property to 501(c)(3) organizations may if employed in the conduct of functions described in Section 501(c)(3)</li> <li>• Deduction for charges received in connection with the origination, making or assumption of a loan</li> <li>• Deductions for fifty percent of the receipts from selling agricultural implements, farm tractors, aircraft or vehicles that are not required to be registered under the Motor Vehicle</li> <li>• Deduction for sales by an aircraft manufacturer or affiliate from selling aircraft or aircraft parts or services performed on aircraft or aircraft components or from selling aircraft flight support, pilot training or maintenance training services</li> <li>• Deduction for maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier over ten thousand pounds gross landing weight</li> <li>• Deduction of receipts of a seller that are represented by a trade-in of tangible personal property of the same type being sold</li> <li>• Deduction for prosthetic devices if the sale is made to a person who is licensed to practice medicine, osteopathic medicine, dentistry, podiatry, optometry, chiropractic or professional nursing</li> <li>• Deduction of 50% of the receipts of hospitals licensed by the department of health, applied only to the taxable gross receipts remaining after all other appropriate deductions have been taken.</li> <li>• Deduction for sales of prescription drugs and oxygen and oxygen services provided by a licensed Medicare durable medical equipment provider</li> <li>• Deduction for selling tangible personal property if used in manufacturing jewelry</li> <li>• Deduction for selling the service of combining or processing components or materials if the sale is</li> </ul>	<ul style="list-style-type: none"> <li>• Credit for selling a service for resale</li> <li>• Credit for a portion of GRT on receipts from a facility providing emergency or urgent care, inpatient medical care and nursing care for acute illness, injury, surgery or obstetrics and includes a facility licensed by the department of health as a critical access hospital, general hospital, long-term acute care hospital, psychiatric hospital, rehabilitation hospital, limited services hospital and special hospital</li> <li>• Credit for value of unpaid qualified health care services</li> <li>• Deduction for sale of property or services purchased by or on behalf of the state from funds obtained from the forfeiture of financial assurance pursuant to the New Mexico Mining Act or the forfeiture of financial responsibility pursuant to the Water Quality Act</li> <li>• Deduction for biomass boiler, gasifier, furnace, turbine-generator, storage facility, feedstock processing or drying equipment, feedstock trailer or interconnection transformer</li> <li>• Deduction for selling an engineering, architectural or construction service used in the new facility construction of a sole community provider hospital that is located in a federally designated health professional shortage area</li> <li>• Deduction for the value of equipment installed, providing services to or for selling equipment to the New Mexico renewable energy transmission authority or an agent or lessee of the authority if the equipment is installed as part of an electric transmission facility or an interconnected storage facility acquired by the authority</li> <li>• Deduction for transmission of electricity where voltage source conversion technology is employed to provide such services and from ancillary services</li> <li>• Deduction for operating a market or exchange for the sale or trading of electricity, rights to electricity and derivative products and from providing ancillary services</li> <li>• Deduction for admissions to a nonathletic special event held at a venue that is located on the campus of a post-secondary educational institution within fifty miles of the New Mexico border and that accommodates at least ten thousand persons</li> <li>• Credit for a penalty pursuant to the provisions of GRT Act for incorrect reporting of food deduction or health care practitioner services</li> <li>• Deduction for military construction services provided at New Mexico military installations to implement special operations mission transition projects pursuant to contracts entered into with the United States department of defense</li> <li>• Deduction for producing or staging a professional boxing, wrestling or martial arts</li> </ul>
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<p>made to a person engaged in the business of manufacturing</p> <ul style="list-style-type: none"><li>• Deduction for travel agents fees derived from commissions paid by maritime transportation companies and interstate airlines, railroads and passenger buses for booking, referral, reservation or ticket services</li><li>• Deduction for resale of a manufactured home if the sale is made of a manufactured home that was subject to the gross receipts, compensating or motor vehicle excise tax upon its initial sale or use in New Mexico</li><li>• Deduction of receipts from the leasing or licensing of theatrical and television films and tapes to a person engaged in the business of providing public or commercial entertainment from which gross receipts are derived</li><li>• Deduction of 50% of the use value of agricultural implements, farm tractors, aircraft not otherwise exempted, provided that, with respect to use of agricultural implements, the person using the property is regularly engaged in the business of farming or ranching</li><li>• Deduction for publishing and selling newspapers or magazines, except from selling advertising space</li><li>• Deduction for chemicals or reagents to any mining, milling or oil company for use in processing ores or oil in a mill, smelter or refinery or in acidizing oil wells, and receipts from selling chemicals or reagents in lots in excess of eighteen tons</li></ul>	<p>contest that occurs in New Mexico, including receipts from ticket sales and broadcasting,</p> <ul style="list-style-type: none"><li>• Deduction for fees received for performing management or investment advisory services for a mutual fund, hedge fund or real estate investment trust</li><li>• Deduction for sales of veterinary medical services, medicine or medical supplies used in the medical treatment of if the person is regularly engaged in the business of ranching or farming, including dairy farming, in New Mexico</li><li>• Deduction for sale of fuel to or value of fuel loaded or used by a common carrier to be loaded or used in a locomotive engine</li><li>• Deduction for sale of vision aids or hearing aids or related services</li><li>• Deduction for sale and installation of solar energy systems</li><li>• Deduction for selling special fuel consisting of at least ninety-nine percent vegetable oil or animal fat</li><li>• Deduction for selling or leasing tangible personal property or services that are eligible advanced energy generation plant costs to a person that holds an interest in a qualified advanced energy generating facility</li></ul>
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