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SENATE BILL 615

42ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 1996

INTRODUCED BY

MANNY M. ARAGON

AN ACT

RELATING TO TAXATION; REMOVING CERTAIN GROSS RECEIPTS TAX  
EXEMPTIONS FOR NONPROFIT ORGANIZATIONS PRINCIPALLY ENGAGED IN  
SCIENTIFIC RESEARCH AND PROVIDING A TEMPORARY GROSS RECEIPTS TAX  
DEDUCTION FOR THOSE ORGANIZATIONS; PROVIDING A GROSS RECEIPTS TAX  
CREDIT FOR THE AMOUNT OF COMMUNITY AND ECONOMIC DEVELOPMENT  
SERVICES AND EXPENDITURES OF NONPROFIT SCIENTIFIC RESEARCH  
ORGANIZATIONS; AUTHORIZING CREATION OF LOCAL COMMUNITY  
DEVELOPMENT BOARDS; AMENDING, REPEALING AND ENACTING SECTIONS OF  
THE NMSA 1978.

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

Section 1. [NEW MATERIAL] COMMUNITY DEVELOPMENT BOARDS  
AUTHORIZED--POWERS AND DUTIES.--

A. The governing body of a municipality or county in or near which a  
nonprofit scientific research organization eligible for a gross receipts tax credit pursuant to  
Section

7-9-88 NMSA 1978 is located may enact an ordinance establishing a community development

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1 board to provide opportunities for nonprofit scientific research organizations to serve the  
2 community and surrounding region in which they are located. No more than one community  
3 development board may be created for any one geographic area, but any number of  
4 municipalities, counties, school districts and community and economic development  
5 organizations in the locality or region may join with the municipality or county in developing  
6 and organizing the community development board.

7  
8 B. Any ordinance establishing a community  
9 development board shall determine the board membership and geographic area served by the  
10 board and provide for development of a local or regional community and economic  
11 development plan. In establishing a community development board, the founding members  
12 shall provide for a broad representation from the governing bodies of political subdivisions,  
13 businesses and industries, community and economic development organizations, Indian tribes  
14 and pueblos and the public in the area served by the board.

15 C. A community development board shall:

16 (1) develop a community and economic development plan for the  
17 locality or region that is served by the board;

18 (2) determine services, programs and expenditures pursuant to that  
19 community and economic development plan that may be provided or made by a nonprofit  
20 scientific research organization and that are eligible for a tax credit pursuant to Section 7-9-88  
21 NMSA 1978;

22 (3) assist nonprofit scientific research organizations in providing  
23 services and making expenditures for programs and purposes that meet the requirements and  
24 priorities of the board's community and economic development plan and certify which services  
25 and expenditures are eligible community and economic development services and expenditures  
for purposes of the tax credit pursuant to Section 7-9-88 NMSA 1978; and

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1 (4) carry out any other tasks or activities  
2 that promote community and economic development in the locality or region served by the  
3 board and that provide nonprofit scientific research organizations an opportunity to be of  
4 service to the community and region in which they are located.

5 D. As used in this section, "nonprofit scientific research organization" means  
6 an organization principally engaged in scientific research that has been granted exemption from  
7 the federal income tax by the United States commissioner of internal revenue as an  
8 organization described in Section 501(c)(3) of the United States Internal Revenue Code of  
9 1986, as amended.

10  
11 Section 2. Section 7-9-15 NMSA 1978 (being Laws 1970, Chapter 12, Section 1, as  
12 amended) is amended to read:

13 "7-9-15. EXEMPTION--COMPENSATING TAX--CERTAIN ORGANIZATIONS.--  
14 Exempted from the compensating tax is the use of property by organizations, other than  
15 organizations that are principally engaged in scientific research, that demonstrate to the  
16 department that they have been granted exemption from the federal income tax by the United  
17 States commissioner of internal revenue as organizations described in Section 501(c)(3) of the  
18 United States Internal Revenue Code of [~~1954~~] 1986, as amended [~~or renumbered~~], in the  
19 conduct of functions described in Section 501(c)(3). The use of property as an ingredient or  
20 component part of a construction project is not a use in the conduct of functions described in  
21 Section 501(c)(3). This section does not apply to the use of property in an unrelated trade or  
22 business as defined in Section 513 of the United States Internal Revenue Code of [~~1954~~] 1986,  
23 as amended [~~or renumbered~~]."

24  
25 Section 3. Section 7-9-29 NMSA 1978 (being Laws 1970, Chapter 12, Section 3, as  
amended) is amended to read:

"7-9-29. EXEMPTION--GROSS RECEIPTS TAX--CERTAIN ORGANIZATIONS.--

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1                   A. Exempted from the gross receipts tax are the receipts of organizations,  
2 other than organizations that are principally engaged in scientific research, that demonstrate to  
3 the department that they have been granted exemption from the federal income tax by the  
4 United States commissioner of internal revenue as organizations described in Section 501(c)(3)  
5 of the United States Internal Revenue Code of [~~1954~~] 1986, as amended [~~or renumbered~~].

6                   B. Exempted from the gross receipts tax are the receipts from carrying on  
7 chamber of commerce, visitor bureau and convention bureau functions of organizations that  
8 demonstrate to the department that they have been granted exemption from the federal income  
9 tax by the United States commissioner of internal revenue as organizations described in Section  
10 501(c)(6) of the United States Internal Revenue Code of [~~1954~~] 1986, as amended [~~or~~  
11 ~~renumbered~~].

12                   C. This section does not apply to receipts derived from an unrelated trade or  
13 business as defined in Section 513 of the United States Internal Revenue Code of [~~1954~~] 1986,  
14 as amended [~~or renumbered~~]."

15                   Section 4. Section 7-9-60 NMSA 1978 (being Laws 1970, Chapter 12, Section 4, as  
16 amended) is amended to read:

17                   "7-9-60. DEDUCTION--GROSS RECEIPTS TAX--GOVERNMENTAL GROSS  
18 RECEIPTS TAX--SALES TO CERTAIN ORGANIZATIONS.--

19                   A. Except as provided otherwise in Subsection B of this section, receipts from  
20 selling tangible personal property to organizations, other than organizations that are principally  
21 engaged in scientific research, that have been granted exemption from the federal income tax  
22 by the United States commissioner of internal revenue as organizations described in Section  
23 501(c)(3) of the United States Internal Revenue Code of 1986, as amended [~~or renumbered~~],  
24 may be deducted from gross receipts or from governmental gross receipts if the sale is made to  
25 an organization that delivers a nontaxable transaction certificate to the seller. The buyer

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1 delivering the nontaxable transaction certificate shall employ the tangible personal property in  
2 the conduct of functions described in Section 501(c)(3) and shall not employ the tangible  
3 personal property in the conduct of an unrelated trade or business as defined in Section 513 of  
4 the United States Internal Revenue Code of 1986, as amended [~~or renumbered~~].

5 B. The deduction provided by this section does not apply to receipts from  
6 selling tangible personal property that will become an ingredient or component part of a  
7 construction project or from selling metalliferous mineral ore."

8  
9 Section 5. A new section of the Gross Receipts and Compensating Tax Act, Section 7-  
10 9-88 NMSA 1978, is enacted to read:

11 "7-9-88. [NEW MATERIAL] GROSS RECEIPTS TAX CREDIT--COMMUNITY  
12 AND ECONOMIC DEVELOPMENT SERVICES AND EXPENDITURES.--

13 A. In any reporting period, a taxpayer that is an organization principally  
14 engaged in scientific research that has been granted exemption from the federal income tax by  
15 the United States commissioner of internal revenue as an organization described in Section  
16 501(c)(3) of the United States Internal Revenue Code of 1986, as amended, may claim a credit  
17 against the taxpayer's gross receipts tax liability in the amount of the taxpayer's certified  
18 community and economic development services and expenditures for the reporting period.

19 B. As used in this section, "certified community and economic development  
20 services and expenditures" means any of the following services provided or programs or  
21 purposes for which expenditures are made in New Mexico that a community development  
22 board certifies have been provided or made by a taxpayer eligible for the credit in Subsection A  
23 of this section:  
24

- 25 (1) job or entrepreneurial training programs and services;  
(2) education services provided to public schools, public post-  
secondary educational institutions or community agencies or organizations;

- 1 (3) job creation programs;
- 2 (4) seed capital for new small businesses or expansion of existing
- 3 small businesses;
- 4 (5) a revolving loan fund for expansion of job opportunities in any
- 5 business or industry;
- 6 (6) provision of services or funds for workshops or task forces that
- 7 promote business expansions or job and economic diversification;
- 8 (7) technology transfer programs and services provided in New
- 9 Mexico;
- 10 (8) enhancement or promotion of procurement from local businesses
- 11 and industries;
- 12 (9) programs and services for "dislocated" workers who have lost
- 13 jobs;
- 14 (10) technical assistance to new or small businesses in New Mexico;
- 15 (11) the purchase, grant, loan or gift of land for or a grant, gift or loan
- 16 for acquisition, construction, equipping or furnishing of facilities for any community or
- 17 economic development or public purpose of a political subdivision of the state, any agency or
- 18 institution of the political subdivision or any Indian tribe or pueblo; or
- 19 (12) any other similar service, program or expenditure certified by a
- 20 community development board as a "community or economic development service or
- 21 expenditure".
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24 C. The value of any community or economic development service provided by  
25 a taxpayer eligible for the credit provided in Subsection A of this section shall be determined  
by the community development board in consultation with the taxpayer who has provided the  
service.

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D. The department shall promulgate regulations and provide assistance upon request to any community development board to apply and interpret the provisions of this section."

Section 6. A new section of the Gross Receipts and Compensating Tax Act is enacted to read:

"~~[NEW MATERIAL]~~ DEDUCTION--GROSS RECEIPTS TAX--SCIENTIFIC RESEARCH SERVICES.--Receipts of an organization principally engaged in scientific research that has been granted exemption from the federal income tax by the United States commissioner of internal revenue as an organization described in Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended, may be deducted from gross receipts."

Section 7. REPEAL.--Section 6 of this act is repealed.

Section 8. EFFECTIVE DATE.--

- A. The effective date of Sections 1 through 4 and 6 of this act is July 1, 1996.
- B. The effective date of Sections 5 and 7 of this act is July 1, 1997.

1 **FORTY-SECOND LEGISLATURE**  
2 **SECOND SESSION, 1996**

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5 JANUARY 31, 1996

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7 Mr. President:

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9 Your **COMMITTEES' COMMITTEE**, to whom has been referred

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11 **SENATE BILL 615**

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14 has had it under consideration and finds same to be **GERMANE**, PURSUANT TO  
15 CONSTITUTIONAL PROVISIONS, and thence referred to the **WAYS AND MEANS**  
16 **COMMITTEE.**

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18 Respectfully submitted,

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25 **SENATOR MANNY M. ARAGON, Chairman**

Adopted \_\_\_\_\_ Not Adopted \_\_\_\_\_



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