

HOUSE BUSINESS AND INDUSTRY COMMITTEE SUBSTITUTE FOR
HOUSE BILLS 202, 253 & 370

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

AN ACT

RELATING TO TAXATION; PHASING IN A GROSS RECEIPTS TAX DEDUCTION
FOR MEDICAL AND OTHER HEALTH SERVICES PROVIDED BY LICENSED
HEALTH PRACTITIONERS.

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

Section 1. Section 7-9-3 NMSA 1978 (being Laws 1978,
Chapter 46, Section 1, as amended by Laws 2000, Chapter 84,
Section 1 and also by Laws 2000, Chapter 101, Section 1) is
amended to read:

"7-9-3. DEFINITIONS. --As used in the Gross Receipts and
Compensating Tax Act:

A. "department" means the taxation and revenue
department, the secretary of taxation and revenue or any
employee of the department exercising authority lawfully
delegated to that employee by the secretary;

1 B. "buying" or "selling" means any transfer of
2 property for consideration or any performance of service for
3 consideration;

4 C. "construction" means building, altering,
5 repairing or demolishing in the ordinary course of business
6 any:

7 (1) road, highway, bridge, parking area or
8 related project;

9 (2) building, stadium or other structure;

10 (3) airport, subway or similar facility;

11 (4) park, trail, athletic field, golf course
12 or similar facility;

13 (5) dam, reservoir, canal, ditch or similar
14 facility;

15 (6) sewerage or water treatment facility,
16 power generating plant, pump station, natural gas compressing
17 station, gas processing plant, coal gasification plant,
18 refinery, distillery or similar facility;

19 (7) sewerage, water, gas or other pipeline;

20 (8) transmission line;

21 (9) radio, television or other tower;

22 (10) water, oil or other storage tank;

23 (11) shaft, tunnel or other mining
24 appurtenance;

25 (12) microwave station or similar facility;

1 [or]

2 (13) retaining wall, wall, fence, gate or
3 similar structure; or

4 [~~(13)~~] (14) similar work;

5 "construction" also means:

6 [~~(14)~~] (15) leveling or clearing land;

7 [~~(15)~~] (16) excavating earth;

8 [~~(16)~~] (17) drilling wells of any type,
9 including seismograph shot holes or core drilling; or

10 [~~(17)~~] (18) similar work;

11 D. "financial corporation" means any savings and
12 loan association or any incorporated savings and loan company,
13 trust company, mortgage banking company, consumer finance
14 company or other financial corporation;

15 E. "engaging in business" means carrying on or
16 causing to be carried on any activity with the purpose of
17 direct or indirect benefit, except that:

18 (1) "engaging in business" does not include
19 having a worldwide web site as a third-party content provider
20 on a computer physically located in New Mexico but owned by
21 another nonaffiliated person; and

22 (2) "engaging in business" does not include
23 using a nonaffiliated third-party call center to accept and
24 process telephone or electronic orders of tangible personal
25 property or licenses primarily from non-New Mexico buyers,

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1 which orders are forwarded to a location outside New Mexico for
2 filling;

3 F. "gross receipts" means the total amount of money
4 or the value of other consideration received from selling
5 property in New Mexico, from leasing property employed in New
6 Mexico, from selling services performed outside New Mexico the
7 product of which is initially used in New Mexico or from
8 performing services in New Mexico. In an exchange in which the
9 money or other consideration received does not represent the
10 value of the property or service exchanged, "gross receipts"
11 means the reasonable value of the property or service
12 exchanged.

13 (1) "Gross receipts" includes:

14 (a) any receipts from sales of tangible
15 personal property handled on consignment;

16 (b) the total commissions or fees
17 derived from the business of buying, selling or promoting the
18 purchase, sale or leasing, as an agent or broker on a
19 commission or fee basis, of any property, service, stock, bond
20 or security;

21 (c) amounts paid by members of any
22 cooperative association or similar organization for sales or
23 leases of personal property or performance of services by such
24 organization; and

25 (d) amounts received from transmitting

1 messages or conversations by persons providing telephone or
2 telegraph services.

3 (2) "Gross receipts" excludes:

4 (a) cash discounts allowed and taken;

5 (b) New Mexico gross receipts tax,
6 governmental gross receipts tax and leased vehicle gross
7 receipts tax payable on transactions for the reporting period;

8 (c) taxes imposed pursuant to the
9 provisions of any local option gross receipts tax that is
10 payable on transactions for the reporting period;

11 (d) any gross receipts or sales taxes
12 imposed by an Indian nation, tribe or pueblo; provided that the
13 tax is approved, if approval is required by federal law or
14 regulation, by the secretary of the interior of the United
15 States; and provided further that the gross receipts or sales
16 tax imposed by the Indian nation, tribe or pueblo provides a
17 reciprocal exclusion for gross receipts, sales or gross
18 receipts-based excise taxes imposed by the state or its
19 political subdivisions;

20 (e) any type of time-price differential;

21 and

22 (f) amounts received solely on behalf of
23 another in a disclosed agency capacity.

24 (3) When the sale of property or service is

25 made under any type of charge, conditional or time-sales

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1 contract or the leasing of property is made under a leasing
2 contract, the seller or lessor may elect to treat all receipts,
3 excluding any type of time-price differential, under such
4 contracts as gross receipts as and when the payments are
5 actually received. If the seller or lessor transfers his
6 interest in any such contract to a third person, the seller or
7 lessor shall pay the gross receipts tax upon the full sale or
8 leasing contract amount, excluding any type of time-price
9 differential;

10 G. "manufacturing" means combining or processing
11 components or materials to increase their value for sale in the
12 ordinary course of business, but does not include construction;

13 H. "person" means:

14 (1) an individual, estate, trust, receiver,
15 cooperative association, club, corporation, company, firm,
16 partnership, limited liability company, limited liability
17 partnership, joint venture, syndicate or other entity,
18 including any gas, water or electric utility owned or operated
19 by a county, municipality or other political subdivision of the
20 state; or

21 (2) a national, federal, state, Indian or
22 other governmental unit or subdivision, or an agency,
23 department or instrumentality of any of the foregoing;

24 I. "property" means real property, tangible
25 personal property, licenses, franchises, patents, trademarks

1 and copyrights. Tangible personal property includes
2 electricity and manufactured homes;

3 J. "leasing" means an arrangement whereby, for a
4 consideration, property is employed for or by any person other
5 than the owner of the property, except that the granting of a
6 license to use property is the sale of a license and not a
7 lease;

8 K. "service" means all activities engaged in for
9 other persons for a consideration, which activities involve
10 predominantly the performance of a service as distinguished
11 from selling or leasing property. "Service" includes
12 activities performed by a person for its members or
13 shareholders. In determining what is a service, the intended
14 use, principal objective or ultimate objective of the
15 contracting parties shall not be controlling. "Service"
16 includes construction activities and all tangible personal
17 property that will become an ingredient or component part of a
18 construction project. Such tangible personal property retains
19 its character as tangible personal property until it is
20 installed as an ingredient or component part of a construction
21 project in New Mexico. However, sales of tangible personal
22 property that will become an ingredient or component part of a
23 construction project to persons engaged in the construction
24 business are sales of tangible personal property;

25 L. "use" or "using" includes use, consumption or

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1 storage other than storage for subsequent sale in the ordinary
2 course of business or for use solely outside this state;

3 M "secretary" means the secretary of taxation and
4 revenue or the secretary's delegate;

5 N. "manufactured home" means a movable or portable
6 housing structure for human occupancy that exceeds either a
7 width of eight feet or a length of forty feet constructed to be
8 towed on its own chassis and designed to be installed with or
9 without a permanent foundation;

10 O. "initial use" or "initially used" means the
11 first employment for the intended purpose and does not include
12 the following activities:

13 (1) observation of tests conducted by the
14 performer of services;

15 (2) participation in progress reviews,
16 briefings, consultations and conferences conducted by the
17 performer of services;

18 (3) review of preliminary drafts, drawings and
19 other materials prepared by the performer of the services;

20 (4) inspection of preliminary prototypes
21 developed by the performer of services; or

22 (5) similar activities;

23 P. "research and development services" means an
24 activity engaged in for other persons for consideration, for
25 one or more of the following purposes:

1 (1) advancing basic knowledge in a recognized
2 field of natural science;

3 (2) advancing technology in a field of
4 technical endeavor;

5 (3) the development of a new or improved
6 product, process or system with new or improved function,
7 performance, reliability or quality, whether or not the new or
8 improved product, process or system is offered for sale, lease
9 or other transfer;

10 (4) the development of new uses or
11 applications for an existing product, process or system,
12 whether or not the new use or application is offered as the
13 rationale for purchase, lease or other transfer of the product,
14 process or system;

15 (5) analytical or survey activities
16 incorporating technology review, application, trade-off study,
17 modeling, simulation, conceptual design or similar activities,
18 whether or not offered for sale, lease or other transfer; or

19 (6) the design and development of prototypes
20 or the integration of systems incorporating advances,
21 developments or improvements included in Paragraphs (1) through
22 (5) of this subsection;

23 Q. "local option gross receipts tax" means a tax
24 authorized to be imposed by a county or municipality upon the
25 taxpayer's gross receipts and required to be collected by the

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1 department at the same time and in the same manner as the gross
2 receipts tax; "local option gross receipts tax" includes the
3 taxes imposed pursuant to the Municipal Local Option Gross
4 Receipts Taxes Act, Supplemental Municipal Gross Receipts Tax
5 Act, County Local Option Gross Receipts Taxes Act, Local
6 Hospital Gross Receipts Tax Act, County Correctional Facility
7 Gross Receipts Tax Act and such other acts as may be enacted
8 authorizing counties or municipalities to impose taxes on gross
9 receipts, which taxes are to be collected by the department;
10 [~~and~~]

11 R. "prescription drugs" means insulin and
12 substances that are:

13 (1) dispensed by or under the supervision of a
14 licensed pharmacist or by a physician or other person
15 authorized under state law to do so;

16 (2) prescribed for a specified person by a
17 person authorized under state law to prescribe the substance;
18 and

19 (3) subject to the restrictions on sale
20 contained in Subparagraph 1 of Subsection (b) of 21 USCA 353;
21 and

22 S. "licensed health practitioner" means:

23 (1) a chiropractic physician licensed pursuant
24 to the provisions of the Chiropractic Physician Practice Act;

25 (2) a dentist or dental hygienist licensed

1 pursuant to the provisions of the Dental Health Care Act;

2 (3) a physician or physician assistant
3 licensed pursuant to the provisions of Chapter 61, Article 6
4 NMSA 1978;

5 (4) an osteopathic physician licensed pursuant
6 to the provisions of Chapter 61, Article 10 NMSA 1978 or an
7 osteopathic physician's assistant licensed pursuant to the
8 provisions of the Osteopathic Physicians' Assistants Act;

9 (5) a doctor of oriental medicine licensed
10 pursuant to the provisions of the Acupuncture and Oriental
11 Medicine Practice Act;

12 (6) a podiatrist licensed pursuant to the
13 provisions of the Podiatry Act;

14 (7) an optometrist licensed pursuant to the
15 provisions of the Optometry Act;

16 (8) a psychologist licensed pursuant to the
17 provisions of the Professional Psychologist Act;

18 (9) a registered nurse or licensed practical
19 nurse licensed pursuant to the provisions of the Nursing
20 Practice Act;

21 (10) a registered lay midwife registered by
22 the department of health;

23 (11) a physical therapist licensed pursuant to
24 the provisions of the Physical Therapy Act;

25 (12) a registered occupational therapist

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1 licensed pursuant to the provisions of the Occupational Therapy
2 Act; and

3 (13) a respiratory care practitioner licensed
4 pursuant to the provisions of the Respiratory Care Act. "

5 Section 2. Section 7-9-77.1 NMSA 1978 (being Laws 1998,
6 Chapter 96, Section 1, as amended) is amended to read:

7 "7-9-77.1. DEDUCTION--GROSS RECEIPTS TAX--CERTAIN MEDICAL
8 AND HEALTH CARE SERVICES. --

9 A. Receipts from payments by the United States
10 government or any agency thereof for provision of medical and
11 other health services by medical doctors and ~~[osteopaths]~~
12 osteopathic physicians or of medical, other health and
13 palliative services by a hospice to medicare beneficiaries
14 pursuant to the provisions of Title ~~[XVIII]~~ 18 of the federal
15 Social Security Act may be deducted from gross receipts.

16 B. Receipts from the provision of medical and other
17 health services provided by licensed health practitioners that
18 are not otherwise deductible under Subsection A of this section
19 may be deducted from gross receipts as follows:

20 (1) from July 1, 2001 through June 30, 2002,
21 twenty percent of the receipts may be deducted from gross
22 receipts;

23 (2) from July 1, 2002 through June 30, 2003,
24 forty percent of the receipts may be deducted from gross
25 receipts;

1 (3) from July 1, 2003 through June 30, 2004,
2 sixty percent of the receipts may be deducted from gross
3 receipts;

4 (4) from July 1, 2004 through June 30, 2005,
5 eighty percent of the receipts may be deducted from gross
6 receipts; and

7 (5) after June 30, 2005, all of the receipts
8 may be deducted from gross receipts.

9 [B.] C. For the purposes of this section:

10 (1) "hospice" means a for-profit entity
11 licensed and certified by the department of health as a
12 hospice; [~~and~~]

13 (2) "medical doctors [~~and osteopaths~~]" means
14 [~~persons~~] physicians licensed to practice [~~under Section~~
15 ~~61-6-11 or 61-10-11 NMSA 1978~~] medicine pursuant to the
16 provisions of the Medical Practice Act; and

17 (3) "osteopathic physicians" means persons
18 licensed to practice as osteopathic physicians pursuant to the
19 provisions of Chapter 61, Article 10 NMSA 1978. "

20 Section 3. EFFECTIVE DATE. --The effective date of the
21 provisions of this act is July 1, 2001.

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