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SENATE BILL 175

51ST LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2014

INTRODUCED BY

Sue Wilson Beffort

AN ACT

RELATING TO TAXATION; EXPANDING THE DEFINITION OF "SOFTWARE DEVELOPMENT SERVICES" FOR PURPOSES OF A DEDUCTION FROM GROSS RECEIPTS.

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

SECTION 1. Section 7-9-57.2 NMSA 1978 (being Laws 2002, Chapter 10, Section 1) is amended to read:

"7-9-57.2. DEDUCTION--GROSS RECEIPTS TAX--SALE OF SOFTWARE DEVELOPMENT SERVICES.--

A. To stimulate new business development, the receipts of an eligible software development company from the sale of software development services that are performed in a qualified area may be deducted from gross receipts.

B. A taxpayer allowed a deduction pursuant to this section shall report the amount of the deduction separately in

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1 a manner required by the department.

2 C. The department shall compile an annual report on
3 the deduction provided by this section that shall include the
4 number of taxpayers approved by the department to receive the
5 deduction, the aggregate amount of deductions approved and any
6 other information necessary to evaluate the effectiveness of
7 the deduction. Beginning in 2017 and every three years
8 thereafter that the deduction is in effect, the department
9 shall compile and present the annual reports to the revenue
10 stabilization and tax policy committee and the legislative
11 finance committee with an analysis of the effectiveness and
12 cost of the deduction and whether the deduction is performing
13 the purpose for which it was created.

14 ~~[B-]~~ D. As used in this section:

15 (1) "eligible software development company"
16 means a taxpayer who is not a successor in business of another
17 taxpayer; ~~[and]~~ whose primary business in New Mexico is
18 established after ~~[the effective date of this section]~~ July 1,
19 2002 and is providing software development services; and who
20 had no business location in New Mexico other than in a
21 qualified area during the period for which a deduction under
22 this section is sought;

23 (2) "qualified area" means the state of New
24 Mexico except for an incorporated municipality with a
25 population of more than fifty thousand according to the most

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1 recent federal decennial census; and

2 (3) "software development services" means
3 ~~[custom software design and development and web site design and~~
4 ~~development but does not include software implementation or~~
5 ~~support services]~~ design, development, programming, testing or
6 the deployment of nontangible custom software or customized
7 adaptation of commercially available software for data
8 processing applications, software integration, digital imaging,
9 digital design, graphics, electronic messaging, mobile
10 applications, web sites, graphical user interfaces, artificial
11 intelligence or data storage and retrieval. "Software
12 development services" does not include training and computer
13 support services."

14 SECTION 2. EFFECTIVE DATE.--The effective date of the
15 provisions of this act is July 1, 2014.

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