

1 HOUSE BILL 504

2 **57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025**

3 INTRODUCED BY

4 Cristina Parajón and Joseph Franklin Hernandez  
5 and Micaela Lara Cadena and Angel M. Charley  
6  
7  
8  
9

10 AN ACT

11 RELATING TO TAXATION; EXCLUDING RECEIPTS OF A PRIME CONTRACTOR  
12 THAT ARE DERIVED FROM OPERATING A FACILITY IN NEW MEXICO  
13 DESIGNATED AS A NATIONAL LABORATORY BY AN ACT OF CONGRESS OR  
14 FROM OPERATING A RESEARCH FACILITY IN NEW MEXICO THAT IS OWNED  
15 BY THE STATE FROM CERTAIN GROSS RECEIPTS TAX DEDUCTIONS FOR  
16 MANUFACTURERS.

17  
18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

19 SECTION 1. Section 7-9-46 NMSA 1978 (being Laws 1969,  
20 Chapter 144, Section 36, as amended) is amended to read:

21 "7-9-46. DEDUCTION--GROSS RECEIPTS--GOVERNMENTAL GROSS  
22 RECEIPTS--SALES TO MANUFACTURERS AND MANUFACTURING SERVICE  
23 PROVIDERS.--

24 A. Receipts from selling tangible personal property  
25 may be deducted from gross receipts or from governmental gross

.230492.1

underscored material = new  
[bracketed material] = delete

1 receipts if the sale is made to a person engaged in the  
2 business of manufacturing who delivers a nontaxable transaction  
3 certificate to the seller or provides alternative evidence  
4 pursuant to Section 7-9-43 NMSA 1978. The buyer must  
5 incorporate the tangible personal property as an ingredient or  
6 component part of the product that the buyer is in the business  
7 of manufacturing.

8 B. Receipts from selling a manufacturing consumable  
9 to a manufacturer or a manufacturing service provider may be  
10 deducted from gross receipts or from governmental gross  
11 receipts if the buyer delivers a nontaxable transaction  
12 certificate to the seller or provides alternative evidence  
13 pursuant to Section 7-9-43 NMSA 1978; provided that if the  
14 seller is a utility company, an agreement with the department  
15 pursuant to Section 7-1-21.1 NMSA 1978 and a nontaxable  
16 transaction certificate shall be required.

17 C. Receipts from selling or leasing qualified  
18 equipment may be deducted from gross receipts if the sale is  
19 made to, or the lease is entered into with, a person engaged in  
20 the business of manufacturing or a manufacturing service  
21 provider who delivers a nontaxable transaction certificate to  
22 the seller or provides alternative evidence pursuant to Section  
23 7-9-43 NMSA 1978; provided that a manufacturer or manufacturing  
24 service provider delivering a nontaxable transaction  
25 certificate or alternative evidence with respect to the

.230492.1

underscored material = new  
[bracketed material] = delete

1 qualified equipment shall not claim an investment credit  
2 pursuant to the Investment Credit Act for that same equipment.

3 D. The purpose of the deductions provided in this  
4 section is to encourage manufacturing businesses to locate in  
5 New Mexico and to reduce the tax burden, including reducing  
6 pyramiding, on the tangible personal property that is consumed  
7 in the manufacturing process and that is purchased by  
8 manufacturing businesses in New Mexico.

9 E. This section does not apply to receipts of a  
10 prime contractor that are derived from operating a:

11 (1) facility in New Mexico designated as a  
12 national laboratory by an act of congress; or

13 (2) research facility in New Mexico that is  
14 owned by the state.

15 [~~E.~~] F. The department shall annually report to the  
16 revenue stabilization and tax policy committee the aggregate  
17 amount of deductions taken pursuant to this section, the number  
18 of taxpayers claiming each of the deductions and any other  
19 information that is necessary to determine that the deductions  
20 are performing the purposes for which they are enacted.

21 [~~F.~~] G. A taxpayer deducting gross receipts  
22 pursuant to this section shall report the amount deducted  
23 separately for each deduction provided in this section and  
24 attribute the amount of the deduction to the appropriate  
25 authorization provided in this section in a manner required by

.230492.1

underscored material = new  
[bracketed material] = delete

1 the department that facilitates the evaluation by the  
2 legislature of the benefit to the state of these deductions.

3 [~~G-~~] H. As used in this section:

4 (1) "manufacturing consumable" means tangible  
5 personal property, other than qualified equipment or an  
6 ingredient or component part of a manufactured product, that is  
7 incorporated into, destroyed, depleted or transformed in the  
8 process of manufacturing a product, including electricity,  
9 fuels, water, manufacturing aids and supplies, chemicals, gases  
10 and other tangibles used to manufacture a product;

11 (2) "manufacturing operation" means a plant  
12 operated by a manufacturer or manufacturing service provider  
13 that employs personnel to perform production tasks to produce  
14 goods, in conjunction with machinery and equipment; and

15 (3) "qualified equipment" means machinery,  
16 equipment and tools, including component, repair, replacement  
17 and spare parts thereof, that are used directly in the  
18 manufacturing process of a manufacturing operation. "Qualified  
19 equipment" includes computer hardware and software used  
20 directly in the manufacturing process of a manufacturing  
21 operation but excludes any motor vehicle that is required to be  
22 registered in this state pursuant to the Motor Vehicle Code."

23 SECTION 2. Section 7-9-46.1 NMSA 1978 (being Laws 2022,  
24 Chapter 47, Section 14) is amended to read:

25 "7-9-46.1. DEDUCTION--GROSS RECEIPTS--GOVERNMENTAL GROSS  
.230492.1

underscoring material = new  
[bracketed material] = delete

1 RECEIPTS--SALES OF SERVICES TO MANUFACTURERS.--

2 A. Receipts from selling professional services may  
3 be deducted from gross receipts or from governmental gross  
4 receipts if the sale is made to a person engaged in the  
5 business of manufacturing who delivers a nontaxable transaction  
6 certificate to the seller or provides alternative evidence  
7 pursuant to Section 7-9-43 NMSA 1978. The professional  
8 services shall be related to the product that the buyer is in  
9 the business of manufacturing.

10 B. The purpose of the deductions provided in this  
11 section is to encourage manufacturing businesses to locate in  
12 New Mexico and to reduce the tax burden, including reducing  
13 pyramiding, on the professional services that are purchased by  
14 manufacturing businesses in New Mexico.

15 C. This section does not apply to receipts of a  
16 prime contractor that are derived from operating a:

17 (1) facility in New Mexico designated as a  
18 national laboratory by an act of congress; or

19 (2) research facility in New Mexico that is  
20 owned by the state.

21 [~~C.~~] D. A taxpayer allowed a deduction pursuant to  
22 this section shall report the amount of the deduction  
23 separately in a manner required by the department.

24 [~~D.~~] E. The department shall compile an annual  
25 report on the deduction provided by this section that shall

underscoring material = new  
~~[bracketed material] = delete~~

1 include the number of taxpayers that claimed the deduction, the  
2 aggregate amount of deductions claimed and any other  
3 information necessary to evaluate the effectiveness of the  
4 deduction. The department shall compile and present the report  
5 to the revenue stabilization and tax policy committee and the  
6 legislative finance committee with an analysis of the cost of  
7 the deduction and whether the deduction is performing the  
8 purpose for which it was created.

9 ~~[E-]~~ F. As used in this section:

10 (1) "accounting services" means the systematic  
11 and comprehensive recording of financial transactions  
12 pertaining to a business entity and the process of summarizing,  
13 analyzing and reporting these transactions to oversight  
14 agencies or tax collection entities, including certified public  
15 auditing, attest services and preparing financial statements,  
16 bookkeeping, tax return preparation, advice and consulting and,  
17 where applicable, representing taxpayers before tax collection  
18 agencies. "Accounting services" does not include, except as  
19 provided with respect to financial management services,  
20 investment advice, wealth management advice or consulting or  
21 any tax return preparation, advice, counseling or  
22 representation for individuals, regardless of whether those  
23 individuals are owners of pass-through entities, such as  
24 partnerships, limited liability companies or S corporations;

25 (2) "architectural services" means services

.230492.1

underscoring material = new  
~~[bracketed material] = delete~~

1 related to the art and science of designing and building  
2 structures for human habitation or use and includes planning,  
3 providing preliminary studies, designs, specifications and  
4 working drawings and providing for general administration of  
5 construction contracts;

6 (3) "engineering services" means consultation,  
7 the production of a creative work, investigation, evaluation,  
8 planning and design, the performance of studies and reviewing  
9 planning documents when performed by, or under the supervision  
10 of, a licensed engineer, including the design, development and  
11 testing of mechanical, electrical, hydraulic, chemical,  
12 pneumatic or thermal machinery or equipment, industrial or  
13 commercial work systems or processes and military equipment.  
14 "Engineering services" does not include medical or medical  
15 laboratory services, any engineering performed in connection  
16 with a construction service or the design and installation of  
17 computer or computer network infrastructure;

18 (4) "information technology services" means  
19 separately stated services for installing and maintaining a  
20 business's computers and computer network, including performing  
21 computer network design; installing, repairing, maintaining or  
22 restoring computer networks, hardware or software; and  
23 performing custom software programming or making custom  
24 modifications to existing software programming. "Information  
25 technology services" does not include:

.230492.1

1 (a) software maintenance and update  
2 agreements, unless made in conjunction with custom programming;

3 (b) computers, servers, chilling  
4 equipment and pre-programmed software;

5 (c) data processing services or the  
6 processing or storage of information to compile and produce  
7 records of transactions for retrieval or use, including data  
8 entry, data retrieval, data searches and information  
9 compilation; or

10 (d) access to telecommunications or  
11 internet;

12 (5) "legal services" means services performed  
13 by a licensed attorney or under the supervision of a licensed  
14 attorney for a client, regardless of the attorney's form of  
15 business entity or whether the services are prepaid, including  
16 legal representation before courts or administrative agencies;  
17 drafting legal documents, such as contracts or patent  
18 applications; legal research; advising and counseling;  
19 arbitration; mediation; and notary public and other ancillary  
20 legal services performed for a client in conjunction with and  
21 under the supervision of a licensed attorney. "Legal services"  
22 does not include lobbying or government relations services,  
23 title insurance agent services, licensing or selling legal  
24 software or legal document templates, insurance investigation  
25 services or any legal representation involving financial crimes



underscoring material = new  
~~[bracketed material] = delete~~

1 or tax evasion in New Mexico; and

2 (6) "professional services" means accounting  
3 services, architectural services, engineering services,  
4 information technology services and legal services."

5 SECTION 3. EFFECTIVE DATE.--The effective date of the  
6 provisions of this act is July 1, 2025.

7 - 9 -

8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25