

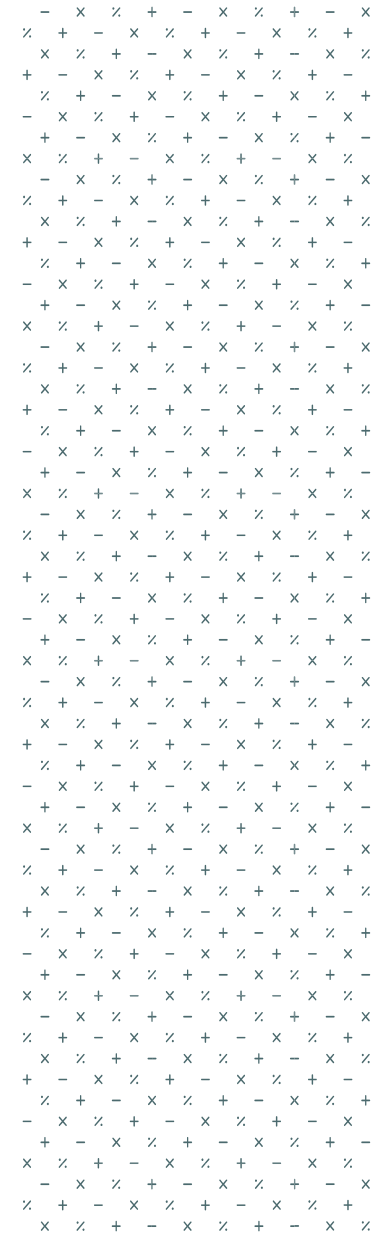


# NM Oil and Gas Related Gross Receipts Taxes Chemicals and Reagents Deduction

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# Introduction & Discussion Roadmap

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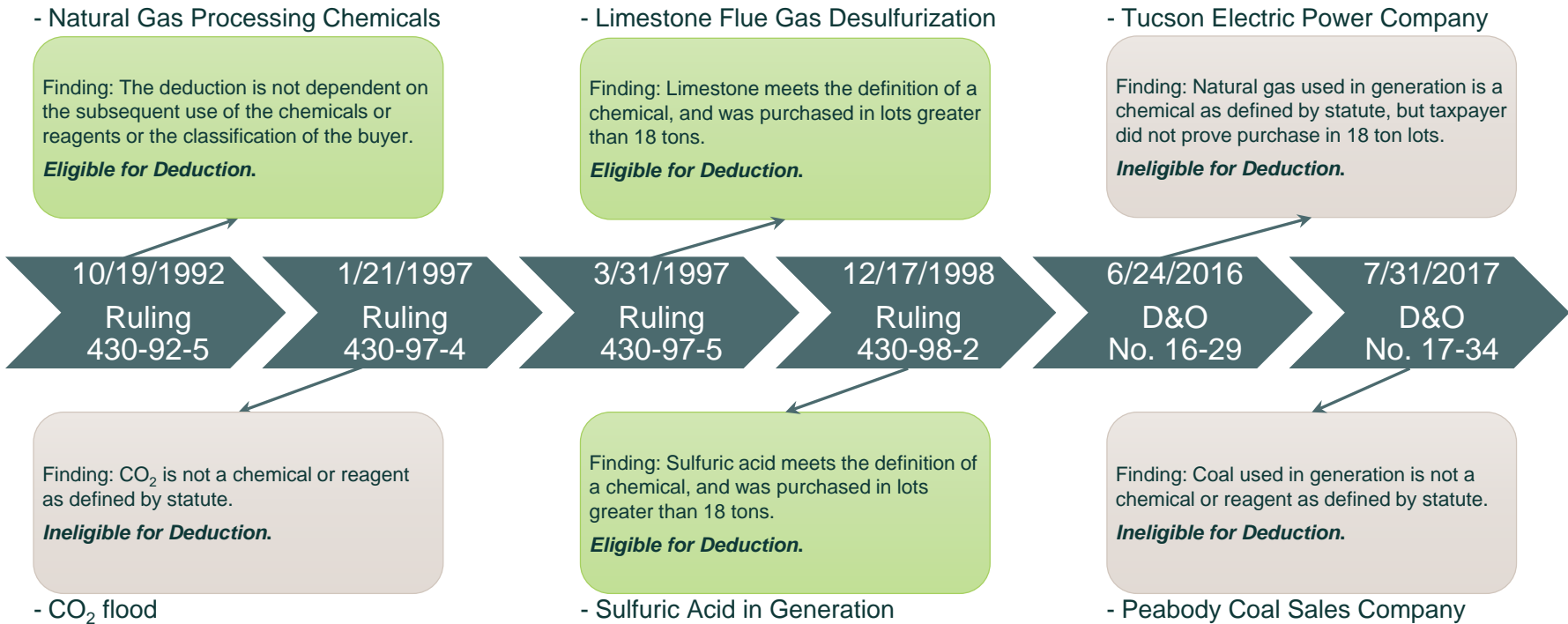
- **Chemicals and Reagents Gross Receipts Tax Deduction**
- **Brief timeline of prior published rulings and Decisions and Orders**
- **Description of available data, what it can tell us, and how we've used it**
- **Oil and Gas related gross receipts data presented at various geographical levels**
  - **State-wide**
  - **Unincorporated county areas**
  - **Eddy, Lea, and San Juan Counties**
- **Closing Thoughts**

## § 7-9-65. Deduction; Gross Receipts Tax; Chemicals and Reagents

Receipts from selling 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 may be deducted from gross receipts. Receipts from selling explosives, blasting powder or dynamite may not be deducted from gross receipts.

History: 1953 comp., § 72-16A-14.21, enacted by Laws 1969, ch. 144, §56.

# Timeline: TRD D&Os and Rulings on § 7-9-65



# What data is available, and what can it tell us?

## RP80 Monthly Gross Receipts Tax Reporting by Location

### ➤ Capabilities

- Gross Receipts reported at the location of taxable activity
- Reported at the industry level with varying degrees of specificity
- Provides reported Number of Returns, Total Gross Receipts, Taxable Gross Receipts (from which total deduction amount can be calculated), and Gross Receipts Tax Paid.

### ➤ Limitations

- Most deductions are not itemized, though with this particular group of NAICS sectors, § 7-9-65 seems likely to be the primary deduction
- Redaction – For confidentiality purposes, fewer than 3 taxpayers are redacted. More prevalent at smaller levels of aggregation – e.g. cities and counties are more redacted than state-wide. Two selected sectors are entirely redacted below the state summary level: 211113 - Conventional Oil and Gas Extraction and 213119 - Other Support Activities for Mining
- Self-reported Gross Receipts are *not* matched against actual payments received by TRD
- Self-reported NAICS industrial classifications have known accuracy issues

### ➤ Bottom line

- RP-80 is not perfect, but it's the best publically available data we have for measuring Total Gross Receipts, Deductions, and Taxable Gross Receipts by industry and activity location



# NAICS Aggregation – Oil & Gas-Related Sectors

- **NAICS sectors related to Oil and Gas activities selected**
  - 21 - Mining, Quarrying, and Oil and Gas Extraction
    - 211 - Oil and Gas Extraction
      - 21111 - Oil and Gas Extraction
        - 211111 - Crude Petroleum and Natural Gas Extraction
          - **211113** - Conventional Oil and Gas Extraction\*
    - 213 - Support Activities for Mining
      - 21311 - Support Activities for Mining
        - 213111 - Drilling Oil and Gas Wells
          - 213112 - Support Activities for Oil and Gas Operations
            - 213118 - Services to oil and gas extraction
              - **213119** - Other Support Activities for Mining\*

\* NAICS sectors 211113 and 213119 are redacted below the state summary level.





# Geographic Aggregation – Oil & Gas-Related Sectors

After specifying which NAICS codes were used the monthly RP-80 data was broken up and presented in three sections.

- **State Summary**

- Statewide data mitigates confidentiality related redaction issues, and is inclusive of more NAICS codes.

- **County Remainder**

- A large proportion of oil and gas related drilling and activities doesn't take place within cities or towns the County Remainder shows this data.

- **Specific Counties**

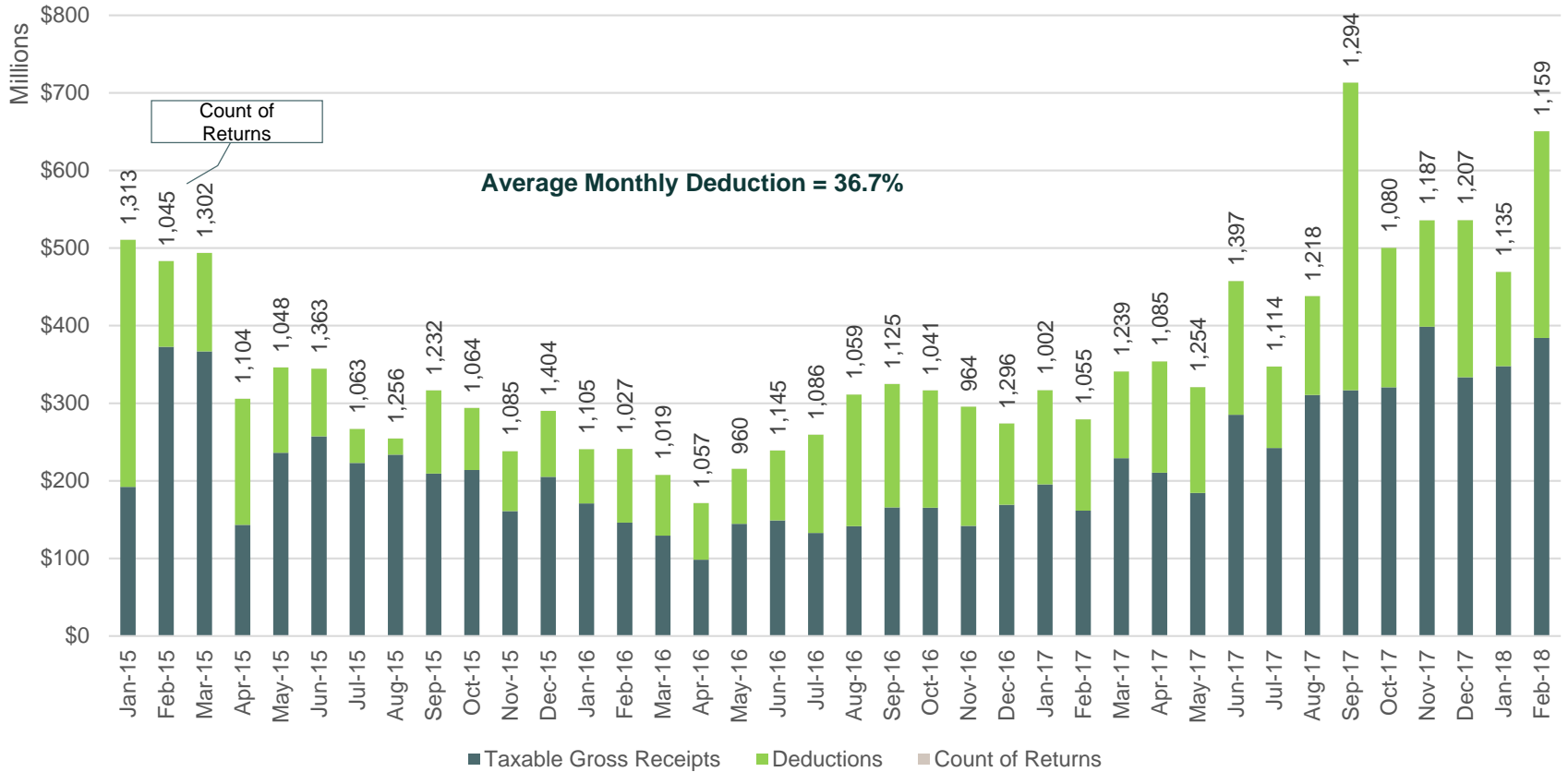
- The three counties with the largest total Gross Receipts for oil and gas related activities (Lea, Eddy, San Juan) were also analyzed including all the cities and the county remainder.

NAICS: North American Industrial Classification System



# Statewide Summary – O&G-Related

## Statewide Taxable Gross Receipts Plus Deductions

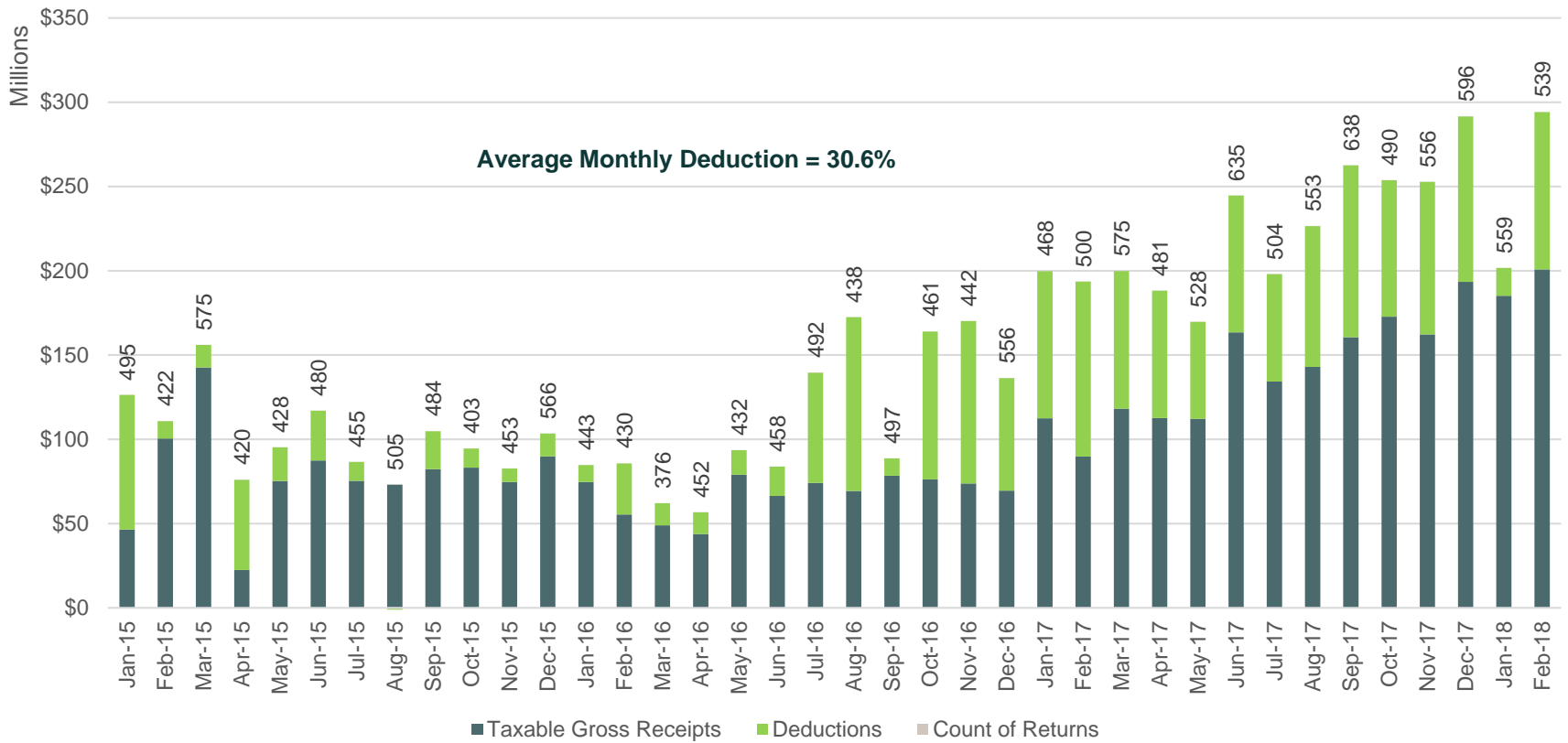






# Unincorporated County– O&G-Related

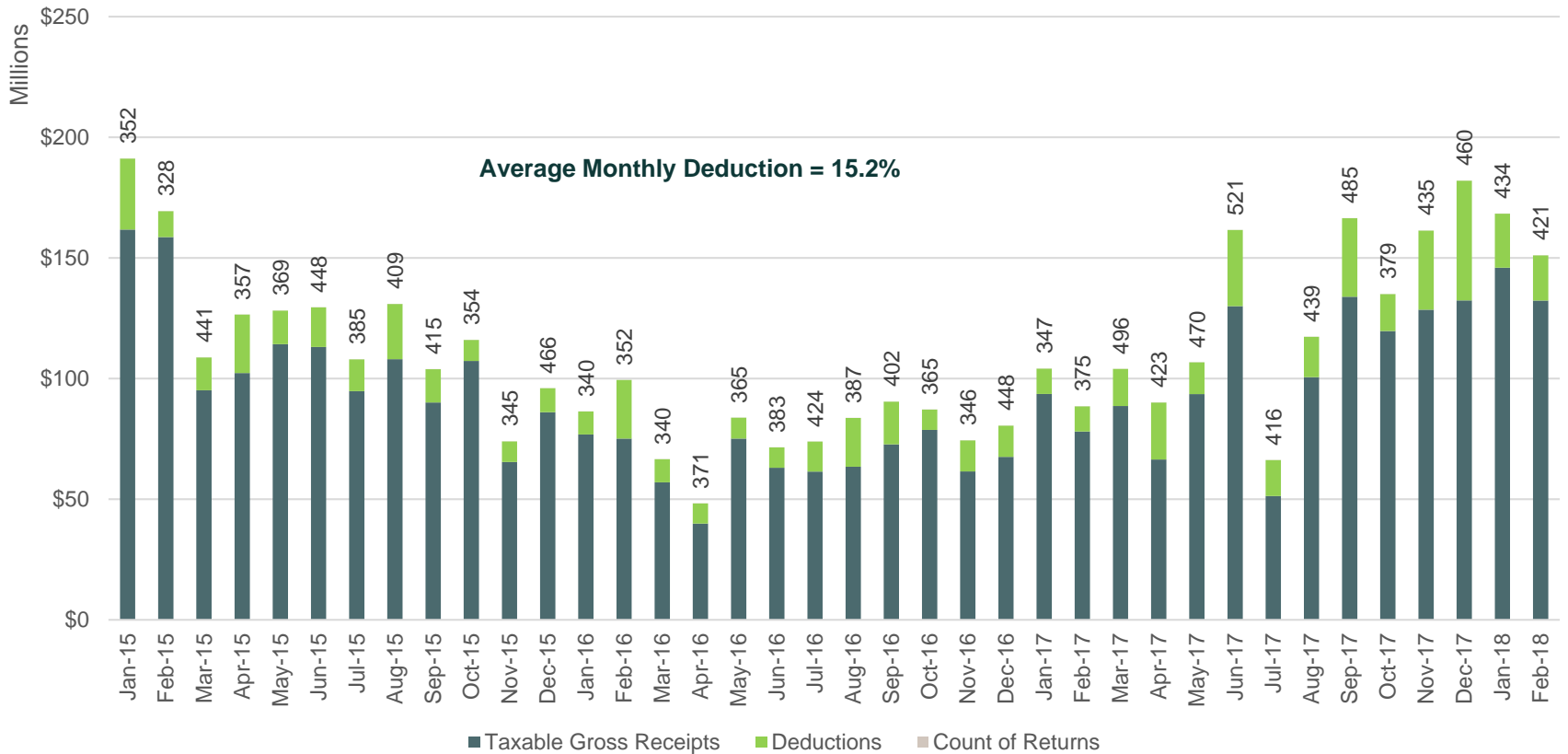
## Unincorporated County Areas Taxable Gross Receipts Plus Deductions





# Lea County – O&G-Related

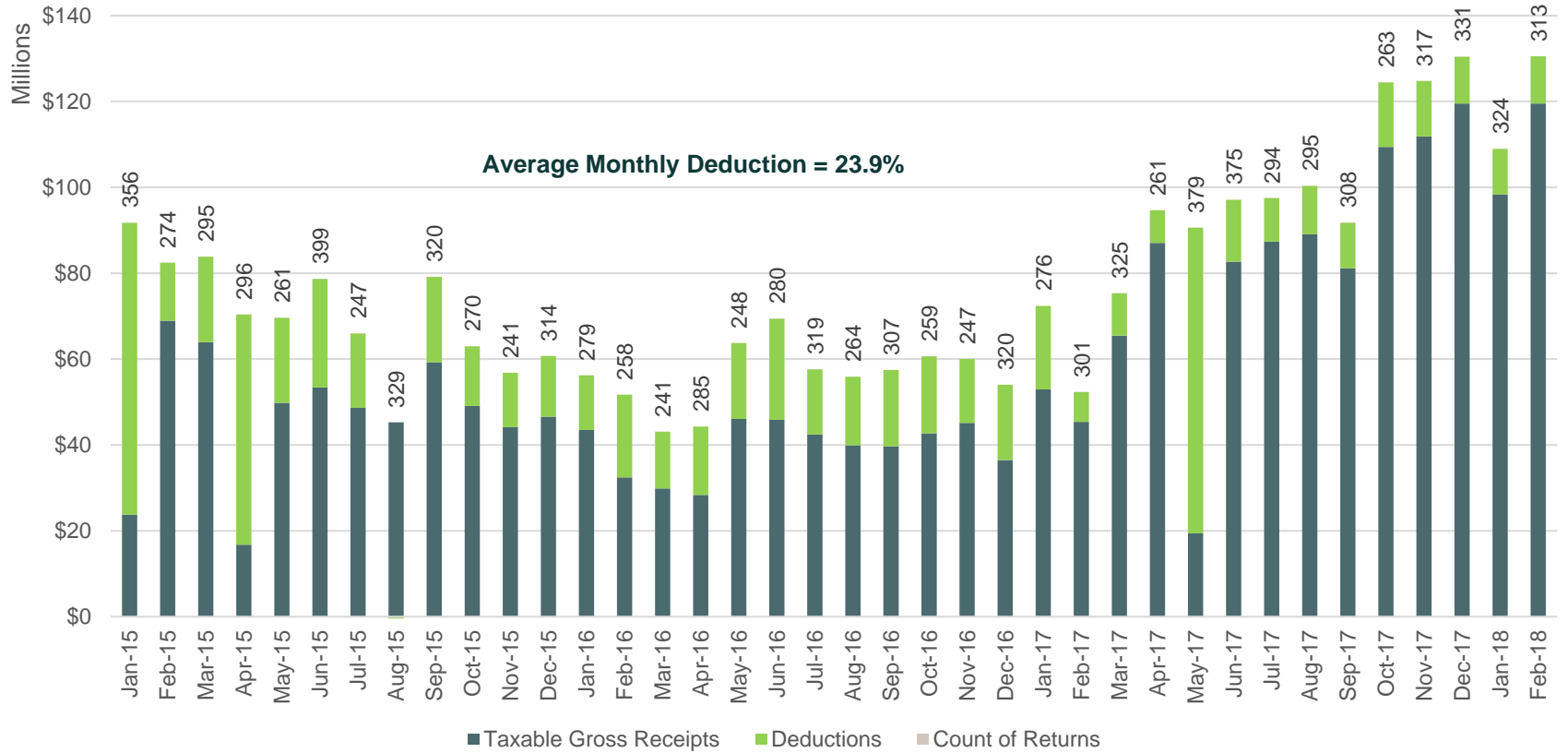
## Lea County Taxable Gross Receipts Plus Deductions





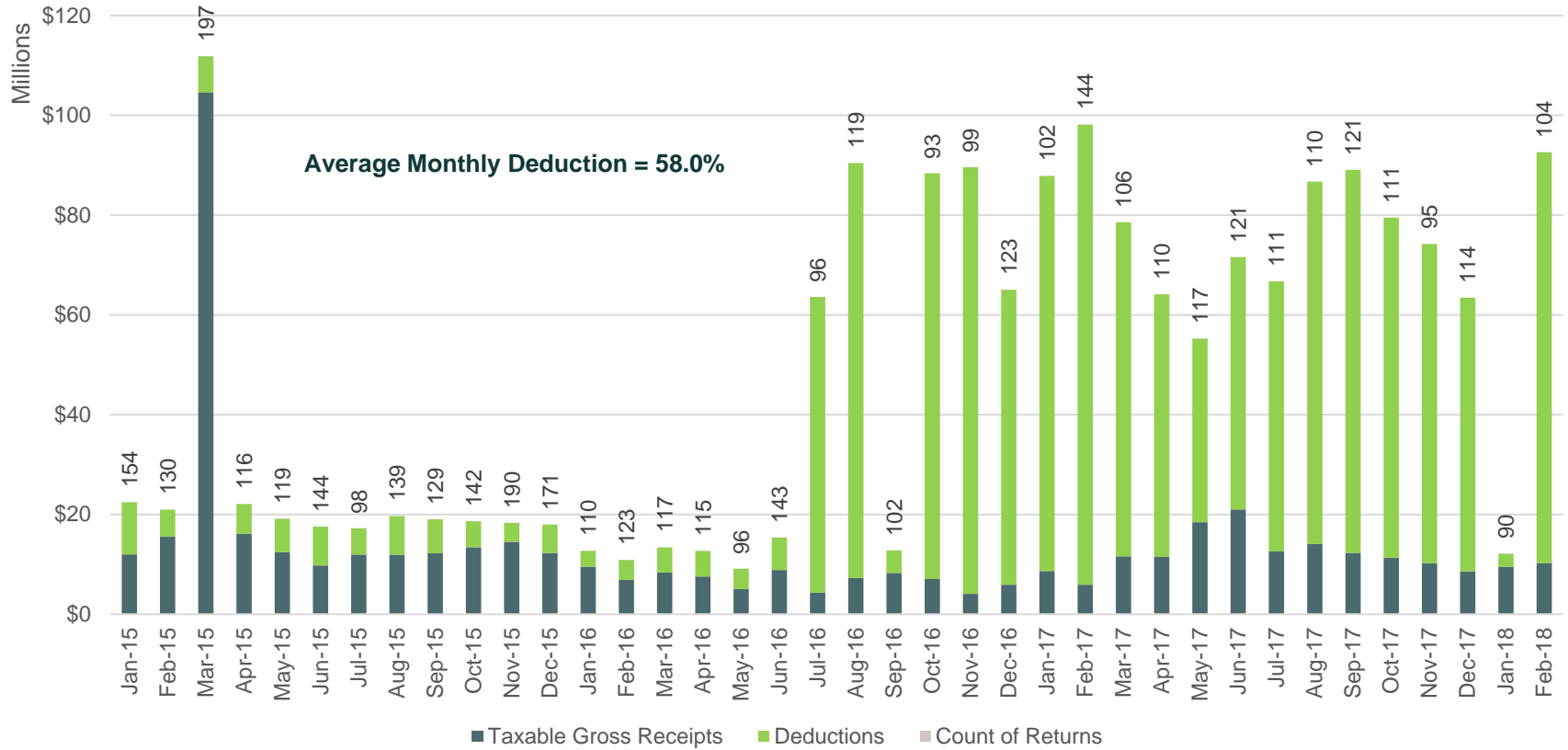
# Eddy County – O&G-Related

## Eddy County Taxable Gross Receipts Plus Deductions



# San Juan County – O&G-Related

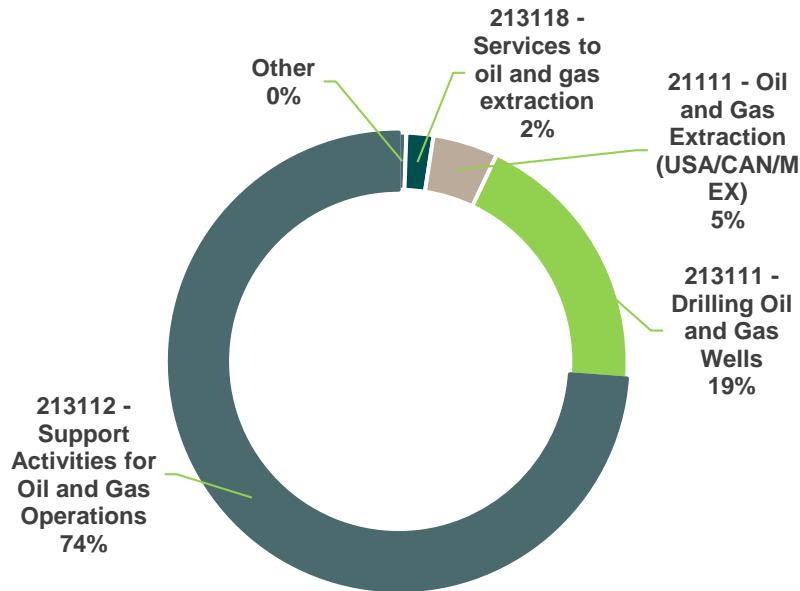
## San Juan County Taxable Gross Receipts Plus Deductions



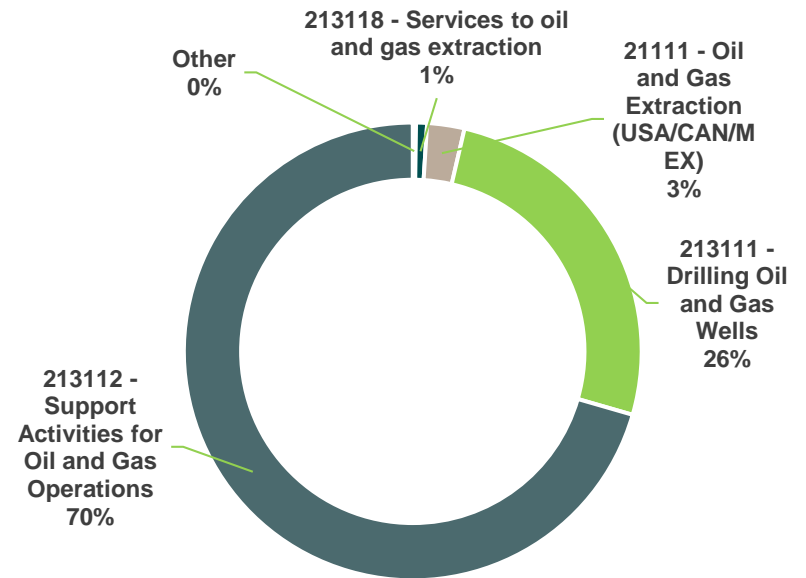
# Share of Statewide O&G-Related Total Gross Receipts and Deductions



## Total Gross Receipts



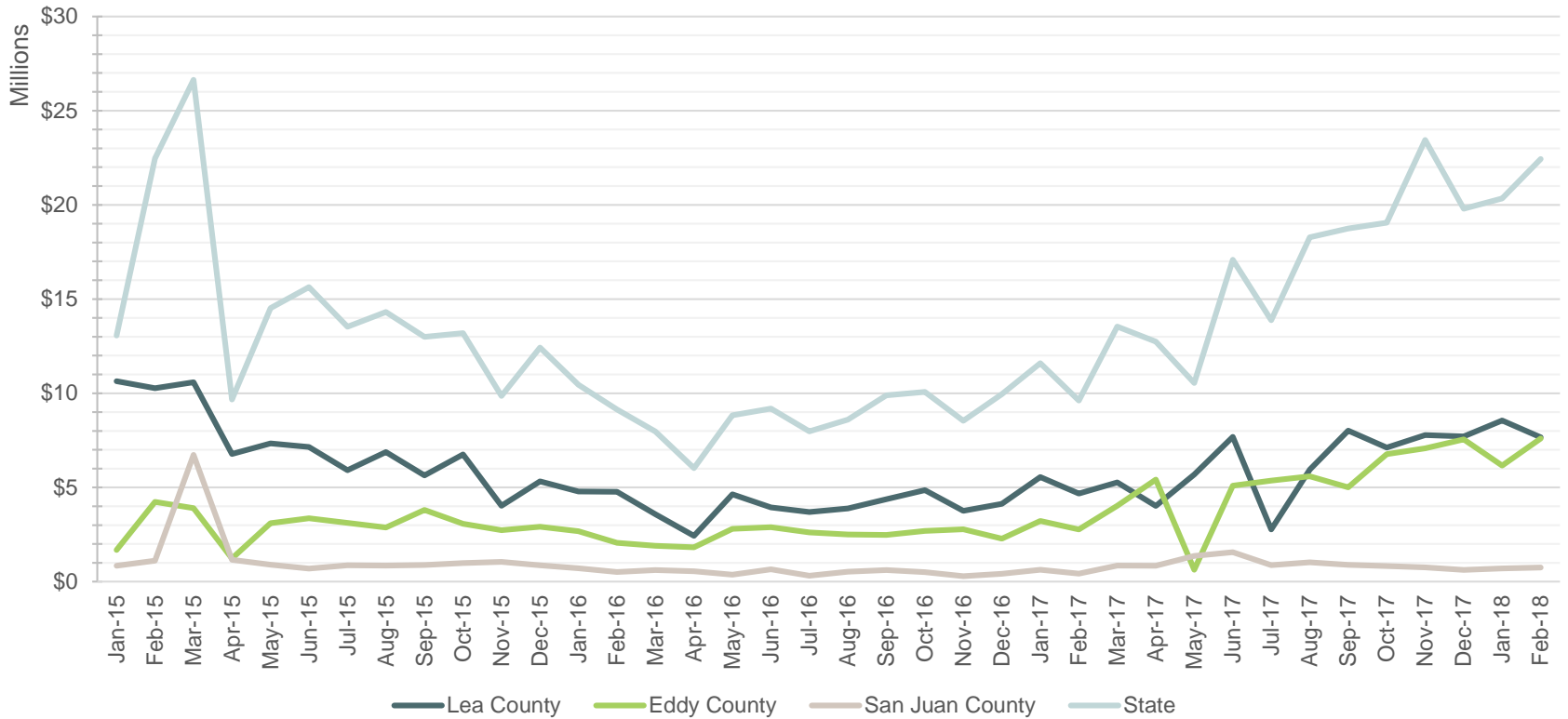
## Total Reported Deductions





# Statewide Total Gross Receipts Tax O&G-Related

Gross Receipts Tax (in \$ millions)



# Closing Thoughts

- 7-9-65 is a long established, “mature” deduction
- Available data isn’t perfect, but to the extent that it is reported correctly, it allows us to get an “order of magnitude” of gross receipts or deductions
- Unsurprisingly, Eddy, Lea, and San Juan county account for the majority of gross receipts and deductions in oil and gas related sectors
- With the exception of San Juan County, the relationship of deduction amount to total gross receipts is relatively stable across this basket of industrial sectors
- Questions?



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