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SENATE BILL 334

47TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2006

INTRODUCED BY

H. Diane Snyder

AN ACT

RELATING TO TAXATION; ENACTING THE BUSINESS SERVICES TAX CREDIT ACT.

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

Section 1. SHORT TITLE.--This act may be cited as the "Business Services Tax Credit Act".

Section 2. PURPOSE OF THE ACT.--The purpose of the Business Services Tax Credit Act is to reduce the tax burden on businesses that results from multiple impositions of transactional taxes upon the sale or use of services purchased by businesses.

Section 3. DEFINITIONS.--As used in the Business Services Tax Credit Act:

A. "department" means the taxation and revenue department, the secretary of taxation and revenue or any

1 employee of the department exercising authority lawfully
2 delegated to that employee by the secretary;

3 B. "qualified expenditure" means the amount paid by
4 a qualified taxpayer to purchase a service that is deductible
5 for purposes of determining net income pursuant to Section 162
6 of the Internal Revenue Code of 1986 and for which receipts
7 from performance of that service are subject to the gross
8 receipts tax and are not eligible for a deduction or exemption
9 from the gross receipts tax, but does not include expenditures
10 for:

- 11 (1) commercial linen supply services;
- 12 (2) entertainment or recreational services;
- 13 (3) intrastate telephone and telegraph
- 14 services;
- 15 (4) janitorial or cleaning services;
- 16 (5) landscaping services;
- 17 (6) repair and maintenance services;
- 18 (7) sewer and solid waste services disposal;

19 and

- 20 (8) services, the purchase price of which is
- 21 the basis for any other New Mexico tax credit claimed and
- 22 allowed either prior or subsequent to this credit; and

23 C. "qualified taxpayer" means a person liable for
24 payment of any tax, a person responsible for withholding a
25 payment or for collection and payment of any tax or a person to

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1 whom an assessment has been made if the assessment remains
2 unabated or the amount of the assessment has not been paid, but
3 does not include:

4 (1) a federal, state, tribal or other
5 governmental unit or subdivision or an agency, department,
6 institution or instrumentality of a federal, state, tribal or
7 other governmental unit or subdivision;

8 (2) a taxpayer that is a nonprofit entity and
9 for which receipts are exempt from the gross receipts tax
10 pursuant to Sections 7-9-16 and 7-9-29 NMSA 1978; or

11 (3) a taxpayer for which receipts are exempt
12 from the gross receipts tax pursuant to Section 7-9-24 NMSA
13 1978.

14 Section 4. BUSINESS SERVICES TAX CREDIT.--

15 A. The tax credit provided in the Business Services
16 Tax Credit Act may be referred to as the "business services tax
17 credit". The purpose of the business services tax credit is to
18 reduce the tax burden on businesses that results from multiple
19 impositions of transactional taxes upon the sale or use of
20 services that businesses purchase.

21 B. A qualified taxpayer may apply for, and the
22 department may allow, a business services tax credit for
23 qualified expenditures made during the period:

24 (1) beginning July 1, 2006 and ending June 30,
25 2007, in an amount equal to:

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1 (a) one-half percent of qualified
2 expenditures of the taxpayer; or

3 (b) in the case of a taxpayer that
4 claims the gross receipts tax deduction pursuant to Section
5 7-9-73.1 NMSA 1978, one-fourth percent of the qualified
6 expenditures of the taxpayer;

7 (2) beginning July 1, 2007 and ending June 30,
8 2008, in an amount equal to:

9 (a) one percent of the qualified
10 expenditures of the taxpayer; or

11 (b) in the case of a taxpayer that
12 claims the gross receipts tax deduction pursuant to Section
13 7-9-73.1 NMSA 1978, one-half percent of the qualified
14 expenditures of the taxpayer;

15 (3) beginning July 1, 2008 and ending June 30,
16 2009, in an amount equal to:

17 (a) one and one-half percent of the
18 qualified expenditures of the taxpayer; or

19 (b) in the case of a taxpayer that
20 claims the gross receipts tax deduction pursuant to Section
21 7-9-73.1 NMSA 1978, three-fourths percent of qualified
22 expenditures of the taxpayer;

23 (4) beginning July 1, 2009 and ending June 30,
24 2010, in an amount equal to:

25 (a) two percent of the qualified

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1 expenditures of the taxpayer; or

2 (b) in the case of a taxpayer that
3 claims the gross receipts tax deduction pursuant to Section
4 7-9-73.1 NMSA 1978, one percent of the qualified expenditures
5 of the taxpayer; and

6 (5) beginning July 1, 2010 and ending June 30,
7 2011, in an amount equal to:

8 (a) two and one-half percent of the
9 qualified expenditures of the taxpayer; or

10 (b) in the case of a taxpayer that
11 claims the gross receipts tax deduction pursuant to Section
12 7-9-73.1 NMSA 1978, one and one-fourth percent of the qualified
13 expenditures of the taxpayer.

14 C. The business services tax credit may be claimed
15 against state gross receipts tax, compensating tax or
16 withholding tax for which the taxpayer would be liable for a
17 tax reporting period in which the qualified expenditure was
18 paid or in later periods. In no case may the credit taken
19 exceed the total gross receipts tax, compensating tax or
20 withholding tax due for the reporting period. After the
21 initial reporting period in which part of the credit for a
22 qualified expenditure was claimed, any excess credit may be
23 carried forward and used in future reporting periods.

24 D. The department shall administer the business
25 services tax credit pursuant to the provisions of the Tax

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1 Administration Act.

2 Section 5. EFFECTIVE DATE.--The effective date of the
3 provisions of this act is July 1, 2006.

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