

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO TAXATION; AMENDING THE UNIFORM DIVISION OF INCOME FOR TAX PURPOSES ACT TO DETERMINE IN-STATE SALES OF INTANGIBLES AND SERVICES BASED ON MARKET SOURCING RATHER THAN COST OF PERFORMANCE.

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

SECTION 1. Section 7-4-18 NMSA 1978 (being Laws 1965, Chapter 203, Section 18) is amended to read:

"7-4-18. DETERMINATION OF SALES IN THIS STATE OF SERVICES AND OTHER ~~[THAN TANGIBLE PERSONAL]~~ PROPERTY FOR INCLUSION IN SALES FACTOR.--

A. Sales, other than sales ~~[of tangible personal property]~~ described in Section 7-4-17 NMSA 1978, are in this state ~~[if~~

~~A. the income-producing activity is performed in~~

underscored material = new
[bracketed material] = delete

underscored material = new
[bracketed material] = delete

1 ~~this state; or~~

2 ~~B. the income-producing activity is performed both~~
3 ~~in and outside this state and a greater proportion of the~~
4 ~~income-producing activity is performed in this state than in~~
5 ~~any other state based on costs of performance]:~~

6 (1) in the case of sale, rental, lease or
7 license of real property, if and to the extent the real
8 property is located in this state;

9 (2) in the case of rental, lease or license of
10 tangible personal property, if and to the extent the tangible
11 personal property is located in this state;

12 (3) in the case of sale of a service, if and
13 to the extent the service is delivered to a location in this
14 state; and

15 (4) in the case of sale, rental, lease or
16 license of intangible property, if and to the extent the
17 intangible property is used in this state.

18 B. If the state or states of assignment under
19 Subsection A of this section cannot be determined, the state or
20 states of assignment shall be reasonably approximated.

21 C. If the taxpayer is not taxable in a state to
22 which a sale is assigned pursuant to Subsection A of this
23 section or if the state of assignment cannot be determined or
24 reasonably approximated pursuant to Subsection B of this
25 section, that sale shall be excluded from the numerator and

.205123.1

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

1 denominator of the sales factor.

2 D. The department may promulgate rules as necessary
3 or appropriate to carry out the purposes of this section."

4 SECTION 2. APPLICABILITY.--The provisions of this act
5 apply to taxable years beginning on or after January 1, 2018.

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25