

NEW MEXICO STATE TAX POLICY 2014

Personal Income Tax (PIT)

New Mexico imposes a tax on the net income of every resident and on the net income of every nonresident employed or engaged in business in, into or from the state or deriving any income from any property or employment within this state. The New Mexico personal income tax is based on federal adjusted gross income. The maximum PIT rate is 4.9% and the minimum PIT rate is 1.7%. *New Mexico State Statutes Chapter 7, Article 2 NMSA 1978*

Gross Receipts Tax

Gross receipts are the total amount of money or value of other consideration received from:

- Selling property in New Mexico;
- Leasing or licensing property employed in New Mexico;
- Granting a right to use a franchise employed in New Mexico;
- Performing services in New Mexico; and
- Selling research and development services performed outside New Mexico, the product of which is initially used in New Mexico.

Gross receipts means the total amount of money or other consideration received from the above activities. Although the gross receipts tax is imposed on businesses, it is common for a business to pass the gross receipts tax on to the purchaser either by separately stating it on the invoice or by combining the tax with the selling price.

The gross receipts tax rate varies throughout the state from 5.125% to 8.6875% depending on the location of the business. It varies because the total rate combines rates imposed by the state, counties, and, if applicable, municipalities where the businesses are located. The business pays the total gross receipts tax to the state, which then distributes the counties' and municipalities' portions to them. Changes to the tax rates may occur twice a year in January or July.

The tax is on the businesses' gross receipts. Whether the receipts (net of returns and allowances) are taxable depends on whether the business can take advantage of an exemption or deduction. New Mexico offers a number of tax incentives for businesses creating new jobs or investment.

Compensating Tax

The compensating tax is an excise tax imposed on persons using property or services in New Mexico. The tax "compensates" for the absence of a gross receipts tax on the purchase of property for use and is intended to protect New Mexico businesses from unfair competition; hence its name. New Mexico allows a credit against the compensating tax for sales, use or similar taxes paid to another state when the buyer acquired the property. The compensating tax is imposed at a rate of 5.125% on certain property and 5% on certain services used in New Mexico. *The Gross Receipts and Compensating Tax Act is compiled as Sections 7-9-1 through 7-9-114 NMSA 1978.*

An **Overview of Gross Receipts and Compensating Taxes in New Mexico** is available at http://www.gonm.biz/Data_Center_Publications.aspx.



Corporate Income Tax (CIT)

New Mexico imposes a corporate income tax on the net income of every domestic corporation and every foreign corporation employed or engaged in the transaction of business in, into, or from this state, or which has income from property or employment within this state. "Corporation" means corporations, joint stock companies, real estate trusts organized and operated under the Real Estate Trust Act, financial corporations, banks, and other business associations. "Corporation" also means limited liability companies and partnerships taxed as corporations under the Internal Revenue Code. "Net income" generally is federal taxable income adjusted to exclude amounts not taxable by states.

New Mexico corporate income tax is imposed on total net income (including New Mexico and non-New Mexico income). The percentage of New Mexico income is then applied to the gross tax:

- Up to \$500,000: 4.8%
- Over \$500,000 but not over \$1 million: \$24,000 plus 6.4% of net income over \$500,000
- Over \$1 million: \$56,000 plus 7.3% of net income over \$1million*

****The 2013 tax reform bill signed into law by Governor Susana Martinez will reduce the top two corporate income tax brackets to 5.9% over the next five years. In addition, the bill phases in a single sales factor apportionment methodology for the income of multi-state corporations over the same five-year period.***

The reduction will be phased in as follows:

Year	<\$500,000	\$500,000-\$1 million	>\$1 million
2014	4.8%	6.4%	7.3%
2015	4.8%	6.4%	6.9%
2016	4.8%	6.4%	6.6%
2017	4.8%	6.2%	6.2%
2018	4.8%	5.9%	5.9%

A single sales factor apportionment formula is provided for manufacturers (additional details are provided in *New Mexico Tax Incentives 2014*).

Corporate Franchise Tax Fee

A uniform fee of \$50 per corporation is levied annually. The franchise tax is imposed on each corporation included in the combined unitary or the consolidated tax returns if the corporation exercises its corporate franchise in New Mexico whether or not income tax is due. The requirement to file and pay the franchise tax also falls on anyone who files a federal S-corporation return. *Corporate Income and Corporate Franchise Taxes: New Mexico State Statutes Chapter 7, Article 2A, NMSA 1978*

NOTE: "CRS" is New Mexico Taxation and Revenue Department's Combined Reporting System. Using the Combined Reporting System businesses can report one or more of the following taxes:

- Gross Receipts Tax (includes municipal and county taxes)
- Compensating Tax
- Withholding Tax
- Interstate Telecommunications Gross Receipts Tax
- Leased Vehicle Gross Receipts Tax
- Leased Vehicle Surcharge
- Tribal Taxes

Property Tax

New Mexico has the lowest per capita property tax in the nation. Taxes are imposed on one-third of assessed value (“net taxable value”), which is typically between 80 and 100 percent of market value.

Most property is appraised by county assessors in the county in which it is located. The Taxation and Revenue Department assesses certain types of non-residential property, typically industrial property that extends across county boundaries, including property associated with railroads, pipelines, communication systems and mineral extraction. Property taxes are collected and distributed by county treasurers. Major revenue recipients include counties, municipalities and school districts.

Rates vary substantially and depend on property type and location. Rates applicable to residential property range from about \$9 to \$38 per \$1,000 of net taxable value after exemptions are taken. Non-residential property tax rates range from \$12 to \$44 per \$1,000 of net taxable value. The statewide average rates are about \$26 per \$1,000 for residential property and \$29 per \$1,000 for non-residential property, or about .8% of assessed value.

New Mexico does not tax:

- Property-in-transit through the state or warehoused for delivery out-of-state
- Inventory
- Intangible property
- Real estate transfers

New Mexico has no estate, Inheritance or gift taxes.

Severance Taxes

New Mexico imposes a severance tax on the privilege of severing natural resources. “Natural resources” is defined as “timber and any metalliferous or nonmetalliferous mineral product, combination or compound thereof but does not include oil, natural gas, liquid hydrocarbon, individually or any combination thereof or carbon dioxide.”

The severance tax applies at the following rates to the taxable value of the following natural resources:

- Copper, ½%
- Timber, 1/8%
- Pumice, gypsum, sand, gravel, clay, fluorspar and other nonmetallic minerals, 1.8%
- Lead, zinc, thorium, molybdenum, manganese, rare earth and other metals, 1/8%
- Gold and silver, 1.5%
- Coal, \$.57 per short ton for surface coal and \$.55 per short ton for underground coal

New Mexico State Statutes Chapter 7, Article 26 NMSA 1978

Additional information on tax policy and filing taxes can be obtained from the [New Mexico Taxation and Revenue Department](#).

Worker’s Compensation Tax Fee

Every employer who elects or is required to be covered by the Workers’ Compensation Act, and every employee covered by the Act is assessed a fee for funding the administration of the Workers’ Compensation Administration. The fee is different from workers’ compensation insurance coverage and every employer must obtain a workers’ compensation insurance policy. The fee for the employer is \$2.30 times the number of covered employees working on the last day of the quarter. The fee for covered employees working on the last day of the quarter is \$2.00. *A Guidebook for New*

Mexico Employers is available at http://www.qonm.biz/Data_Center_Publications.aspx or visit the *New Mexico Workers' Compensation Administration*: <http://www.workerscomp.state.nm.us/>

Unemployment Insurance Contribution

Employers pay unemployment taxes to state and federal governments, which support the Unemployment Insurance (UI) Program. The law prohibits an employer from deducting money from employees' wages. A new employer in New Mexico starts out with a UI tax rate of 2.0% and remains at that rate for a minimum of four years. After four years, each employer is given an experience rating which can cause a rate to increase or decrease. Employers use the Taxable Wage Base to calculate their employment insurance taxes. The Taxable Wage Base for 2014 is \$23,400.

Additional information for businesses:

<http://www.dws.state.nm.us/Business/UnemploymentInsurance/UnemploymentInsuranceTax>