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# Get a Handle on Gross Receipts Tax if Doing Business in New Mexico

*By Finance New Mexico*


Anyone who operates a business in New Mexico is familiar with the gross receipts tax, or GRT — a tax not on sales but on companies and people who do business here.

Unlike a sales tax, the GRT is imposed on the seller of property or services. It is not a tax the seller collects from the buyer and delivers to the state; it's due even if the seller doesn't charge the buyer.

The tax is imposed on the gross receipts of businesses or people who sell property, perform services, lease or license property or license a franchise in New Mexico. The same goes for those who sell research and development services performed outside New Mexico when the resulting product is initially used here.

"Gross receipts" are the total amount of money or other consideration received from the activities covered in the tax law. They include sales of property handled on consignment and commissions received.

But they exclude GRT billed to the buyer, as that would constitute taxing a tax. Also excluded are cash discounts; taxes imposed by a Native American tribe or pueblo that is exempt from New Mexico GRT; interest or other types of time-price differentials; or amounts received solely on behalf of another in a disclosed-agency capacity — like an in-state florist who fulfills an order placed with an out-of-state company.

Gross receipts are taxable, exempt or deductible. The receipt is taxable if no specific exemption or deduction applies to it.

Exemptions apply to receipts that are not taxable and don't require reporting. If all of a business's receipts are exempt, the business doesn't have to register with the state for GRT purposes. Common exemptions are receipts of a 501(c)(3) nonprofit and governmental entities, receipts from isolated or occasional sales, employee wages, interest and dividends and insurance company receipts.

A deduction is not subject to tax, but deducted receipts must be reported on a CRS-1 form. Deductions require substantiation, either by a nontaxable transaction certificate or other valid proof.

The gross receipts tax rate varies statewide from the state base of 5.125 percent to 8.8125 percent; anything over 5.125 percent represents local option rates imposed by counties and municipalities.

In general, the gross receipts tax rate is origin-based — determined by the business location of the seller or lessor, not the location of the buyer or lessee. Receipts from construction projects, however, are taxed at the rate in effect where the construction is being done, not where the construction companies are based.

If the business is based in a municipality, the business pays municipality and county GRT. If the business is in an incorporated area, the county rate applies.

A business based in another state with a physical presence in New Mexico pays state GRT because it employs New Mexicans as workers and agents, performs services in New Mexico, leases equipment and stores inventory here and uses its own vehicles to transport property in our state.

The Taxation and Revenue Department has all the details on its website at www.tax.newmexico.gov/.

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