
GROSS RECEIPTS TAXES

1. What is New Mexico's sales tax rate?

New Mexico does not have a sales tax. It has a gross receipts tax instead. This tax is imposed on persons engaged in business in New Mexico, but in almost every case the person engaged in business passes the tax to the consumer. In that way the gross receipts tax resembles a sales tax. See question # 3 under "Gross Receipts Taxes".

2. What is taxable?

Generally speaking, sales and leases of goods and other property, both tangible and intangible, are taxable. Magazines and over-the-counter drugs are taxable. (Prescription drugs are no longer taxable.) Unlike many other states, sales and performances of services are taxable in New Mexico.

3. What is the gross receipts tax rate and how is it determined?

The gross receipts tax rate varies throughout the state from 5.125% to 7.875%. The total rate is a combination of rates imposed by:

1. The state,
2. The counties, and
3. The municipalities

To view the current Gross Receipts Tax Rate Schedule please return to our homepage and click the gross receipts tax rate link for the appropriate time period, located toward the bottom of the page.

The total gross receipts tax is paid to the state. The state keeps its portion and distributes the counties' and municipalities' portions to them.

The state's portion of the gross receipts tax, which is also the largest portion, is determined by state law. Changes may occur, usually in July as the result of legislative action.

The counties' portion of gross receipts tax is determined by the county commissions, which can impose up to 4.3125%. These increments can go into effect in January and July of every year.

Municipal councils determine the municipalities' portion of gross receipts tax. The rates can go as high as 4.0625%. Like the counties, municipal changes are effective in January and July of every year.

Because the combined gross receipts tax rate can change in January and July of every year, we issue a new tax rate schedule semiannually and include it in the CRS-1 Filer's Kit. Always check the gross receipts tax rate schedule to see if the rate for your business location(s) has changed. Due to the frequency of changes the Department does not send out separate notices of changes.

EXEMPTIONS FROM GROSS RECEIPTS TAX

1. What is an exemption?

Exemptions from gross receipts tax are receipts which are not taxable and do not have to be reported. If all your receipts are exempt, you do not have to be registered with the Department for gross receipts tax purposes (you may have to register for withholding tax or to obtain nontaxable transaction certificates, though) nor do you have to report those receipts on the CRS-1 Form. If you have exempt, deductible and taxable receipts, however you should register and report only the deductible and taxable receipts on the CRS-1 Form.

DEDUCTIONS FROM GROSS RECEIPTS TAX

1. What is a deduction?

A deduction from gross receipts, like an exemption, results in an amount not subject to tax. Unlike an exemption, YOU MUST REPORT ON THE CRS-1 FORM BOTH THE GROSS RECEIPTS RECEIVED (in Column D) AND THE AMOUNT OF DEDUCTIONS YOU ARE ELIGIBLE TO CLAIM AGAINST THOSE GROSS RECEIPTS (in Column E).

Substantiation Required to Support a Deduction

The Department requires taxpayers to retain substantiation in their records when claiming a deduction from gross receipts. That substantiation can be one of the following, depending on the deduction being claimed:

1) Nontaxable transaction certificate (NTTC) - The NTTC is the only acceptable substantiation for certain deductions. The buyer obtains an NTTC from the Department to give to a seller, entitling the seller to deduct those receipts when determining taxable gross receipts. In practice this means the buyer is able to purchase goods and services free of the gross receipts tax that is usually passed to the buyer. The seller must accept an NTTC in "good faith", reasonably confident that the buyer executing the NTTC will use the property or service in the manner stated on the NTTC. The seller needs only ONE NTTC from each buyer to cover all transactions of the same type with that buyer.

2) Farmer or rancher statement - a signed statement from a farmer or rancher declaring that the person is regularly engaged in the business of farming or ranching (used for agricultural deductions under 7-9-58 and 7-9-62 NMSA 1978).

3) Jewelry manufacturer statement - a written statement declaring the purchaser is engaged in the business of manufacturing jewelry and will use the property purchased in manufacturing jewelry (used only for jewelry manufacturing deduction under 7-9-74 NMSA 1978).

4) Out-of-state buyer certificates, NTTC- OSB - Unlike other NTTCs that are obtained from the Department by the buyer, the NTTC OSB must be obtained by the seller. The New Mexico seller completes the "Application for Nontaxable Transaction Certificates," and the seller then provides the NTTC-OSBs to out-of-state customers who are: (1) purchasing tangible personal property either for resale or for use as an ingredient or component part of a manufactured product, or (2) who are purchasing manufacturing services that are performed directly upon tangible personal property the purchaser is in the business of manufacturing, or ingredient or component parts thereof. The buyer must provide all the required information on an NTTC-OSB and give it to the New Mexico seller who will keep it on file with all other NTTCs the seller receives.

5) Border state certificate - New Mexico sellers may accept the Border State Certificate (BSC) from out-of-state buyers from Arizona, California, Oklahoma, Texas, Utah and the United States of Mexico who are not required to be registered in New Mexico but who: (1) wish to buy goods for resale or incorporation as ingredients or components of a manufactured product outside New Mexico, or (2) wish to buy a manufacturing service that will be performed on a manufactured product or ingredient or component part thereof. BSCs are not issued by New Mexico.

6) Multi-jurisdiction uniform sales and use tax certificate - New Mexico sellers may accept the Multi-jurisdiction Uniform Sales and Use Tax Certificate (MTC) from out-of-state buyers who are not required to be registered in New Mexico but who wish to buy goods for resale or incorporation as ingredients or components of a manufactured product. MTCs are not issued by New Mexico. Contact the Multistate Tax Commission for MTCs.

7) Other documents including invoices, purchase orders, contracts, etc. but only when an NTTC is not required. These documents cannot be used in place of NTTCs.

2. How do I get NTTCs and NTTC-OSBs ?

All taxpayers who wish to obtain NTTCs and NTTC-OSBs are required to:

- Register with the Taxation and Revenue Department by completing the Application for Business Tax Identification Number. This form is available on the "Forms" page of the website.

- NTTCs may be obtained by completing the Application for NTTCs, which is also on the "Forms: page, or online using the "E-File NTTC-Net" option.

The taxpayer may request additional certificates as needed.

RESPONSES TO COMMON QUESTIONS AND CONCERNS OF CRS TAXPAYERS

1. I didn't receive my CRS-1 Forms in the mail!

It is the taxpayer's responsibility to obtain forms. If the filing deadline is approaching or has arrived and you do not have a current CRS-1 Form, file an old CRS-1 or a plain piece of paper. Be sure to include all the information required on the CRS-1 Form. The most common reason taxpayers do not receive their forms in the mail is they have changed their address without notifying the Department. File a "Registration Update" ([ACD-31075](#)) to notify us of any address change. The ACD-31075 is included in the CRS-1 Filer's Kit. Blank CRS-1 Forms are available at district offices.

To view the current CRS-1 Filer's Kit please return to our homepage and click on the date appropriate link under the "CRS-1 Filer's Kit" link on the left-hand side of the page.

2. I overpaid in one report period. Can I take a credit for the overpayment on a subsequent report?

No. You must amend your CRS-1 for the period in which you overpaid and apply for a refund.

3. I received a Notice of Overpayment, and upon checking my records I am sure I did not make an overpayment!

Return the notice with a copy of the original CRS-1 or with an amended CRS-1 supporting the amount of tax paid.

4. How do I back out gross receipts tax?

If you do not separately state a charge for gross receipts in your billings, your total receipts include both gross receipts and gross receipts tax. To avoid paying tax on tax, you may need to back out the gross receipts tax.

To back out tax from total receipts at the end of the report period, simply divide total receipts including the tax for the report period by one plus the applicable gross receipts tax rate, i.e., if your tax rate is 5% and your receipts including tax are \$1,050.00, divide \$1,050.00 by 1.05. The result is your gross receipts without tax (to enter in Column C of the CRS-1) or \$1,000.

The formula is different* if your total gross receipts figure of \$1,050 includes exemptions (\$45, for example), or deductions (\$60), or both, and tax at 5%. In that case you should:

- Subtract \$105 (the sum of your deductions and exemptions) from \$1,050. The remainder is \$945, a figure that still includes the tax at 5%;
- Divide \$945 by 1.05% (1 plus the 5% tax rate). The result is \$900;
- In Column C of your CRS-1 Form enter the sum of \$900 + \$60 (the amount of deductible receipts), \$960.

This figure is your gross receipts excluding tax.

*Unlike exemptions, deductions must be reported on the CRS-1 Form and therefore must be included in the amount reported in Column C.

5. How do I get a copy of my registration or past CRS-1 Forms?

You must make the request in writing and include your ID number and current address. Be sure to sign the request. Allow 6 to 8 weeks for us to process the request.

6. Why do I get so much mail from the Department?

If you are receiving notices from the Department stating that you owe tax, penalty, or interest, please see the Account Notices section in the CRS-1 Filer's Kit. Many of the Department's billings are computer-generated and sent out automatically, so it's possible that your payment and our notices have crossed in the mail. Sometimes we receive payments and it's too late to prevent the next round of computer-generated letters.

from going out. We are continually working to improve our computer systems, so we appreciate your patience. Call your local tax office to confirm the status of your account.

7. How long am I required to retain my CRS records?

New Mexico statute permits the Department to assess as far back as 10 years depending on the situation. The normal assessment period is 3 years back from the end of the year the tax was due. If you have under-reported any one tax on the CRS-1 by more than 25%, the Department may assess as far back as 6 years. If you have non-filed reports, the Department can go back 7 years. If there is evidence of tax fraud, the Department may assess as far back as 10 years.
