



State of New Mexico

Office of the Governor

Bill Richardson
Governor

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Governor Bill Richardson Announces Plan to Reduce Tax Burden for New Mexico Businesses

SANTA FE - Governor Richardson today announced his plan to reducing so-called pyramiding of the Gross Receipts Tax on New Mexico businesses services. The Governor's plan will reduce many of the taxes on business-to-business transaction thereby lowering the cost of doing businesses in New Mexico.

"The Criticism of our tax system, especially from the business community has been: "If it moves, we tax it." My plan to reduce the tax on some business-to-business transactions will make New Mexico businesses more competitive and lower the cost of services to many New Mexicans."

New Mexico's gross receipts tax is different from most states' sales taxes - our gross receipts tax is imposed on the seller rather than the buyer. Depending on how a business is organized, it may be taxed more heavily than others, resulting in an "uneven playing field."

Examples:

1. A small business that has to contract out for professional services, such as legal or accounting services, will pay more in gross receipts tax than a larger business that has in-house staff that can perform the services.
2. A firm selling its products to customers in other states may face a higher tax burden than its competitors in those states because it has to pay tax on the services it buys.

Governor Richardson is proposing the following:

Allowing for a 15 percent deduction from the sale of services for re-sale - in cases where the next sale is not taxable

- The deduction is broad-based -- it applies to all sales of services to businesses
- It provides significant benefit to small businesses that must sub-contract for services rather than providing those services in-house.
- The new deduction will make New Mexico's tax treatment of services more consistent with tax treatment of goods sold for resale.
- Total cost to the state General Fund is \$4.5 million.

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