

PROGRAM: New Mexico Interstate Telecommunications Gross Receipts Tax Exemption **Industry Specific Incentive**

AGENCY: Taxation and Revenue Department

DESCRIPTION: This program allows a deduction for receipts from the provision of wide area telephone services (WATS) and private communications services from the interstate telecommunications gross receipts tax. Wide-area telephone service means a telephone service that entitles a subscriber to either make or receive large volumes of communications to or from persons in specified geographical areas. Subscribers must pay a flat rate charge which depends on the total duration of all such calls and the subscriber's selected geographic area.

ELIGIBLE USES:

- In addition to exemptions for WATS and private communications services, there are also deductions for :
 - Receipts from providing interstate telecommunications services in New Mexico may be deducted if the company is subject to regulation by the federal Interstate Commerce Commission (or similar body) or the State Corporation Commission;
 - Receipts from providing interstate telecommunications services provided by a corporation to itself or to an affiliated corporation may be deducted from interstate telecommunications gross receipts. Corporations are affiliated when one corporation owns (directly or indirectly) stock representing at least 80% of the total voting power and stock value of the other corporation; and
 - Refunds and allowances to buyers of interstate telecommunications services or uncollectible debts written off by a person reporting interstate telecommunications gross receipts tax on an accrual basis are deductible from interstate telecommunications gross receipts. If debts reported as uncollectible are subsequently collected, money recovered shall be included in interstate telecommunications gross receipts in the month of the collection.
- Amounts reported as interstate telecommunications gross receipts are exempt from the "regular" gross receipts tax to avoid double taxation. Also to prevent double taxation, a credit is allowed against Interstate Telecommunications Gross Receipts Tax for taxes paid other states or their political subdivisions on the same services. Under current law and policy, interstate telecommunication services are not subject to municipal or county add-on taxes. Companies must report gross receipts from interstate telecommunications calls based on the billing location.

PROGRAM/LOAN STRUCTURE:

Rates: The interstate telecommunications gross receipts tax rate is 4.25%.

QUALIFICATION CRITERIA/COMMENTS:

- There are special rules for hotels and motels that buy WATS and resell the communications services to guests. Receipts of vendor companies that provide WATS services to hotels and motels are exempt from the interstate telecommunications gross receipts tax. However, hotel and motel receipts from reselling WATS services will be taxable as regular gross receipts.
- Receipts from "Private communications services" are also deductible from the tax. These are defined as dedicated services for individual customers that entitle customers to exclusive or priority use of communication channels between a location within New Mexico and one or more locations outside the state. **See 7-9C-6 through 7-9C-10 NMSA**
- Visit the Taxation and Revenue Department homepage at <http://www.state.nm.us/tax/home.htm> or find paperwork and applications at <http://www.state.nm.us/tax/BizPge.htm> .
- Call the office of the Secretary at (505)827-0341.