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Several Changes to New Mexico Tax Law Effective July 1, 2019

Starting July 1, taxpayers will see some important changes to New Mexico tax laws intended to level certain playing fields and raise revenue for critical needs such as road repairs.

Most of the changes were included in House Bill 6, which was sponsored by Reps. Jim Trujillo, Sheryl Williams Stapleton, Javier Martinez, Susan K. Herrera, and Antonio “Moe” Maestas and signed into law by Gov. Michelle Lujan Grisham.

Perhaps the largest change will be for businesses outside of the state that sell to New Mexicans over the internet. Businesses with \$100,000 in sales or more in the preceding calendar year to New Mexico buyers will now be required to pay gross receipts taxes.

Collecting GRT from out-of-state internet sellers will raise about \$43 million for the state General Fund in the coming fiscal year. New Mexico is one of many states rolling out taxes on internet-based sales in the wake of a 2018 Supreme Court decision making clear that they are legal.

“Extending gross receipts taxes to e-commerce businesses that don’t have a physical presence here eliminates an unfair competitive advantage those companies enjoyed at the expense of homegrown, New Mexico-based businesses,” said Taxation and Revenue Secretary Stephanie Schardin Clarke. “It is an important move that will also ensure the State’s revenues will grow along with the economy and the need for public services into the future.”

Starting July 1, 2019, businesses subject to the new collections will pay only the statewide GRT rate of 5.125 percent. Starting July 1, 2021, those businesses will also be required to collect city and county GRT increments based on sale destinations. In the two-year interim before city and county taxes are collected, those local governments will share a \$24 million annual appropriation from the General Fund, apportioned to each entity by population.

Other changes taking effect July 1 include:

- An increase in the Motor Vehicle Excise Tax from 3% to 4%. The increase is effective for any motor vehicles purchased on July 1, 2019 or later. Vehicles purchased before that date, even if titled and registered afterward, will be subject to the 3% tax. Revenue from this increase will make \$52 million annually available for roads and bridges, including improvements to address emergency road conditions present in southeastern New Mexico's Permian basin.
- Non-profit and governmental hospitals will now collect tax on sales and services, bringing them in line with similar for-profit hospitals. All hospitals will be eligible to deduct an additional 60% of receipts after all other eligible exemptions and deductions have been taken. The move will raise a total of \$93 million per year for the General Fund.
- Taxes on cigarettes will increase from \$1.66 per pack to \$2 per pack. Cigars will be taxed at 50 cents each or 25 percent of wholesale/manufacturer value, whichever is lower.
- E-cigarette liquid will now be subject to a 12.5% tax on the wholesale/manufacturer value. So-called "closed system" cartridges, such as Juul pods, will be taxed at 50 cents each.