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New Gross Receipts Tax rules take effect July 1

Most business will pay the rate in effect where goods and services are delivered

Beginning July 1, most businesses will pay Gross Receipts Taxes based on the rate in effect where their goods or the products of their services are delivered.

The so-called destination sourcing method was mandated by legislation adopted in 2019 and 2020. The 2019 legislation also allowed the state to begin taxing internet-based sales by out-of-state businesses.

Since 2019, internet sales have been taxed using the statewide 5.125% rate. Starting July 1, those businesses will pay both the statewide rate and local-option Gross Receipts Taxes.

Most New Mexico-based businesses starting July 1 must now also use destination sourcing.

Retailers whose sales are wholly or primarily at their place of business will see little or no effect. However, if some of their sales are completed through deliveries, they will need to pay the rate in effect where the purchaser has them deliver the merchandise.

The rules for service providers are more complex because they depend on the type of service provided. The chart below summarizes the main categories.

Type of Receipts	Impact of 7/1/2021 Change in Law
General Services, In-Person Professional Services and Tangible Personal Property (Goods)	Change from Origin to Destination Based
Professional Services (services other than in-person services that require an advanced degree or a license from the state to perform)	No Change - Remain Origin Based

Construction Services and Real Estate Commissions	No Change - Remain Destination Based
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For services subject to destination sourcing, the rate is determined by the location where the product of the service is delivered. That often will be the same location as where the service is performed, but not always.

For example, if a company designs advertising material for a client, the product of the service is the completed advertising material. The reporting location, then, would be the client's location, even if the seller is based in a different tax jurisdiction.

The Department issued regulations on the new sourcing method this spring. Those regulations can be found at tax.newmexico.gov on the [Proposed Regulations and Hearing Notices](#) page. The final, adopted regulations are expected to be published in the [New Mexico Register](#) on July 7.

Department leadership also have made several presentations on the subject. Recordings of two of those presentations are available on the Department's YouTube channel, [New Mexico Taxation and Revenue](#).

The Taxation and Revenue Department serves the State of New Mexico by providing fair and efficient tax and motor vehicle services. It administers more than 35 tax programs and distributes revenue to the State and to local and tribal governments throughout New Mexico.

The Department strives to reduce taxpayer burden through clearer communication, statutes, regulations, forms, correspondence and instructions.

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