

**TITLE 3: TAXATION**  
**CHAPTER 2: GROSS RECEIPTS TAXES**  
**PART 235: DEDUCTION - GROSS RECEIPTS TAX - SALE OF CERTAIN SERVICES**  
**PERFORMED DIRECTLY ON PRODUCT MANUFACTURED**

**3.2.235.1 ISSUING AGENCY:** Taxation and Revenue Department, Joseph M. Montoya Building, 1100 South St. Francis Drive, P.O. Box 630, Santa Fe NM 87504-0630  
[11/15/96; 3.2.235.1 NMAC - Rn, 3 NMAC 2.75.1, 6/14/01]

**3.2.235.2 SCOPE:** This part applies to each person engaging in business in New Mexico.  
[11/15/96; 3.2.235.2 NMAC - Rn, 3 NMAC 2.75.2, 6/14/01]

**3.2.235.3 STATUTORY AUTHORITY:** Section 9-11-6.2 NMSA 1978.  
[11/15/96; 3.2.235.3 NMAC - Rn, 3 NMAC 2.75.3, 6/14/01]

**3.2.235.4 DURATION:** Permanent.  
[11/15/96; 3.2.235.4 NMAC - Rn, 3 NMAC 2.75.4, 6/14/01]

**3.2.235.5 EFFECTIVE DATE:** 11/15/96, unless a later date is cited at the end of a section, in which case the later date is the effective date.  
[11/15/96; 3.2.235.5 NMAC - Rn, 3 NMAC 2.75.5 & A, 6/14/01]

**3.2.235.6 OBJECTIVE:** The objective of this part is to interpret, exemplify, implement and enforce the provisions of the Gross Receipts and Compensating Tax Act.  
[11/15/96; 3.2.235.6 NMAC - Rn, 3 NMAC 2.75.6, 6/14/01]

**3.2.235.7 DEFINITIONS:** A “manufacturing service” is the service of combining or processing components or materials owned by another.  
[11/15/96, 12/15/99; 3.2.235.7 NMAC - Rn, 3 NMAC 2.75.7, 6/14/01]

**3.2.235.8 PLATING:**  
A. Receipts from the sale of the service of plating are deductible from gross receipts if the sale is made to a person engaged in the business of manufacturing and the buyer delivers a nontaxable transaction certificate (nttc).  
B. The buyer delivering the nttc must have the service performed directly upon tangible personal property which the buyer is in the business of manufacturing or upon ingredients or component parts thereof, or the buyer will be liable for the compensating tax on the value of the plating service at the time it was rendered.  
[11/20/72, 3/20/74, 7/26/76, 6/18/79, 4/7/82, 5/4/84, 4/2/86, 11/26/90, 11/15/96; 3.2.235.8 NMAC - Rn, 3 NMAC 2.75.8, 6/14/01]

**3.2.235.9 HAULING FOR MANUFACTURER:** Hauling components or materials for a person engaged in the manufacturing business is not a manufacturing service within the meaning of Section 7-9-75 NMSA 1978. The hauler is neither combining nor processing these items; therefore, the manufacturer may not issue to the hauler a nontaxable transaction certificate and the hauler may not deduct the receipts pursuant to Section 7-9-75 NMSA 1978. The hauler's receipts are fully subject to the gross receipts tax.  
[3/16/79, 6/18/79, 4/7/82, 5/4/84, 4/2/86, 11/26/90, 11/15/96; 3.2.235.9 NMAC - Rn, 3 NMAC 2.75.9 & A, 6/14/01]

**3.2.235.10 RECEIPTS FROM MANUFACTURER FOR “GET READY”:** Amounts paid to, or credited against the account of, an automotive dealer by a manufacturer to compensate the dealer for inspection and other “get ready” operations performed on new vehicles manufactured by that manufacturer may be deducted from gross receipts if the dealer has in possession a Type 13 (manufacturing services) nontaxable transaction certificate (nttc) issued by the manufacturer of the vehicles since the dealer is performing services directly on the property which the manufacturer is in the business of manufacturing. A reduction in the dealer's invoice price for a new vehicle to compensate the dealer for “get ready” operations on that vehicle involves a receipt by the dealer, but a deduction of that amount may be claimed by the dealer who has a Type 13 nttc issued by the manufacturer.

[6/20/89, 11/26/90, 11/15/96; 3.2.235.10 NMAC - Rn, 3 NMAC 2.75.10, 6/14/01]

**3.2.235.11 RECEIPTS FROM NON-MANUFACTURERS FOR “GET READY”:** Amounts paid to a New Mexico automotive dealer by another dealer for inspection and other “get ready” operations performed on new vehicles being sold by the other dealer may not be deducted under a Type 13 nontaxable transaction certificate issued by the other dealer since the New Mexico dealer is not performing the services for the manufacturer.  
[6/20/89, 11/26/90, 11/15/96; 3.2.235.11 NMAC - Rn, 3 NMAC 2.75.11, 6/14/01]

**3.2.235.12 INSTALLING COMPUTER PROGRAMMING AS A COMPONENT PART:**

A. Receipts from performing the service of installing computer programming on a computer chip or other device for a manufacturer may be deducted under Section 7-9-75 NMSA 1978 when the chips are supplied by the manufacturer and the programmed chip or device is designed to control the operation of machinery or equipment.

B. Example 1: M, a manufacturer of widgets, contracts with X to install control logic (developed by M) on computer chips which are to be incorporated into M's widgets. The chips are designed to control certain operations of the widget. X's receipts from performing this service are deductible under Section 7-9-75 NMSA 1978 regardless of whether or not the programming is designed to allow the ultimate purchaser of the widgets to alter some or all of the programming parameters.

C. Example 2: M, a manufacturer of computer chips, accepts an order from B to make and sell specialty chips. The order requires that certain software be included on the chips. M contracts with X to install the programming on the chips. M ships the chips to X, who in turn ships the chips to B after installing the programming. X may deduct its receipts from installing the programming on the chips under Section 7-9-75 NMSA 1978.

D. Example 3: S, retailer of computers and packaged programming, hires X to install packaged programming on the computers S sells. X may not deduct its receipts from installing the programming for S under Section 7-9-75 NMSA 1978 because S is not a manufacturer. Other deductions, such as that under Section 7-9-48 NMSA 1978, however, may be available.

[4/30/97; 3.2.235.12 NMAC - Rn, 3 NMAC 2.75.12 & A, 6/14/01]

**HISTORY OF 3.2.235 NMAC:**

Pre-NMAC History: The material in this part was derived from that previously filed with the State Records Center: BOR 67-2, NM Gross Receipts and Compensating Tax Regulations, September 1967, filed 9/29/67.

BOR 69-4, Regulations in Effect and Pertaining to the New Mexico Gross Receipts and Compensating Tax Act, 12-5-69, filed 12/5/69.

BOR 72-4, Regulations in Effect and Pertaining to the New Mexico Gross Receipts and Compensating Tax Act, 3/9/72, filed 3/9/72.

BOR 74-2, Regulations in Effect and Pertaining to the New Mexico Gross Receipts and Compensating Tax Act, 12/15/73, filed 3/20/74.

BOR 76-1, Regulations in Effect and Pertaining to the New Mexico Gross Receipts and Compensating Tax Act, 7/26/76, filed 7/26/76.

R.D.79-1, Gross Receipts and Compensating Tax Act Regulations, filed 6/18/79.

R.D. Rule No. 82, Regulations Pertaining to the Gross Receipts and Compensating Tax Act, Sections 7-9-1 to 7-9-80.1 NMSA 1978, filed 4/7/82.

R.D. Rule No. 84, Regulations Pertaining to the Gross Receipts and Compensating Tax Act, Sections 7-9-1 to 7-9-80.1 NMSA 1978, filed 5/4/84.

TRD Rule No. 9-86, Regulations Pertaining to the Gross Receipts and Compensating Tax Act, Sections 7-9-1 to 7-9-80.1 NMSA 1978, filed 4/2/86.

TRD Rule GR-90, Regulations Pertaining to the Gross Receipts and Compensating Tax Act, Sections 7-9-1 to 7-9-80.1 NMSA 1978, filed 11/26/90.

History of Repealed Material: [RESERVED]

NMAC History:

3 NMAC 2.75, Deduction - Gross Receipts Tax - Sale of Certain Services Performed Directly on Product Manufactured, filed 11/4/96.

3.2.235 NMAC, Deduction - Gross Receipts Tax - Sale of Certain Services Performed Directly on Product Manufactured, filed 6/4/2001.