

**TITLE 3: TAXATION**  
**CHAPTER 2: GROSS RECEIPTS TAXES**  
**PART 237: DEDUCTION - COMPENSATING TAX**

**3.2.237.1 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; 3.2.237.1 NMAC - Rn, 3 NMAC 2.77.1, 6/14/01]

**3.2.237.2 SCOPE:** This part applies to each person engaging in business in New Mexico.  
[11/15/96; 3.2.237.2 NMAC - Rn, 3 NMAC 2.77.2, 6/14/01]

**3.2.237.3 STATUTORY AUTHORITY:** Section 9-11-6.2 NMSA 1978.  
[11/15/96; 3.2.237.3 NMAC - Rn, 3 NMAC 2.77.3, 6/14/01]

**3.2.237.4 DURATION:** Permanent.  
[11/15/96; 3.2.237.4 NMAC - Rn, 3 NMAC 2.77.4, 6/14/01]

**3.2.237.5 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; 3.2.237.5 NMAC - Rn, 3 NMAC 2.77.5 & A, 6/14/01]

**3.2.237.6 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; 3.2.237.6 NMAC - Rn, 3 NMAC 2.77.6, 6/14/01]

**3.2.237.7 DEFINITIONS:** [Reserved.]  
[11/15/96; 3.2.237.7 NMAC - Rn, 3 NMAC 2.77.7, 6/14/01]

**3.2.237.8 GENERAL EXAMPLE:**  
A. The following example illustrates the application of Section 7-9-77 NMSA 1978.  
B. Example: Y charts an airplane from X, an out-of-state airplane dealer. The charter is for one month. After one week Y decides to buy the airplane. X allows Y a “trade-in” for the remaining three weeks of Y’s charter. Y cannot deduct the value of this “trade-in” from the value of the airplane in computing the compensating tax due. The “trade-in” was not tangible personal property.  
[12/5/69, 3/9/72, 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; 3.2.237.8 NMAC - Rn, 3 NMAC 2.77.8 & A, 6/14/01]

**3.2.237.9 TRANSPORTATION OR FREIGHT CHARGES:** As transportation costs paid by the seller to the carrier are an element of the sales price of the property, when equipment not required to be registered under the Motor Vehicle Code is purchased outside New Mexico and is brought into New Mexico for use, the value of the equipment as well as the freight costs are subject to the 50% deduction in computing the compensating tax due.  
[3/16/79, 6/18/79, 4/7/82, 5/4/84, 4/2/86, 11/26/90, 11/15/96; 3.2.237.9 NMAC - Rn, 3 NMAC 2.77.9, 6/14/01]

**HISTORY OF 3.2.237 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 2.77, Deduction - Compensating Tax, filed 11/4/96.

3.2.237 NMAC, Deduction - Compensating Tax, filed 6/4/2001.