New Mexico Fiscal Policy Project

Taking a closer look at Tax and Budget Policies affecting New Mexico's Quality of Life

September 2006

A program of New Mexico Voices for Children

Moving Toward Revenue Policy Transparency in New Mexico

Introduction

Every year in New Mexico, hundreds of millions of dollars worth of tax cuts, credits and incentives go to individuals and businesses through exceptions to normal tax law. These tax credits, exemptions and deductions are collectively known as 'tax expenditures.' They're called expenditures because the state foregoes collecting taxes it otherwise would have collected. In effect, the state has "spent" tax dollars by making exceptions to normal tax law.

Every state has tax expenditures in its tax code and it is not the expenditures themselves that are examined in this paper. This paper addresses the underlying question — transparency. That is, accounting for how much the state spends in tax incentives and what, if anything, New Mexico taxpayers gain from this spending. Currently, our state's policymakers have no idea how much revenue is spent each year on tax expenditures and whether any economic benefit results. This is not true for the federal government or for many other states. New Mexico policymakers should be able to look at past and present tax expenditures annually and to hold them to the same standards as other government spending. All tax programs, including sales, income, and excise taxes, on businesses and individuals alike, should be included in the analysis.

The Fiscal Policy Project of New Mexico Voices for Children is committed to making it possible for citizens to understand the tax and expenditure policies of New Mexico's state government. Legislators and lobbyists often propose legislation that provides targeted tax cuts for specific groups of individuals and businesses, and such legislation often makes its way into law without adequate scrutiny. The statutes that provide advantages for special interests can escape public scrutiny indefinitely after being enacted.

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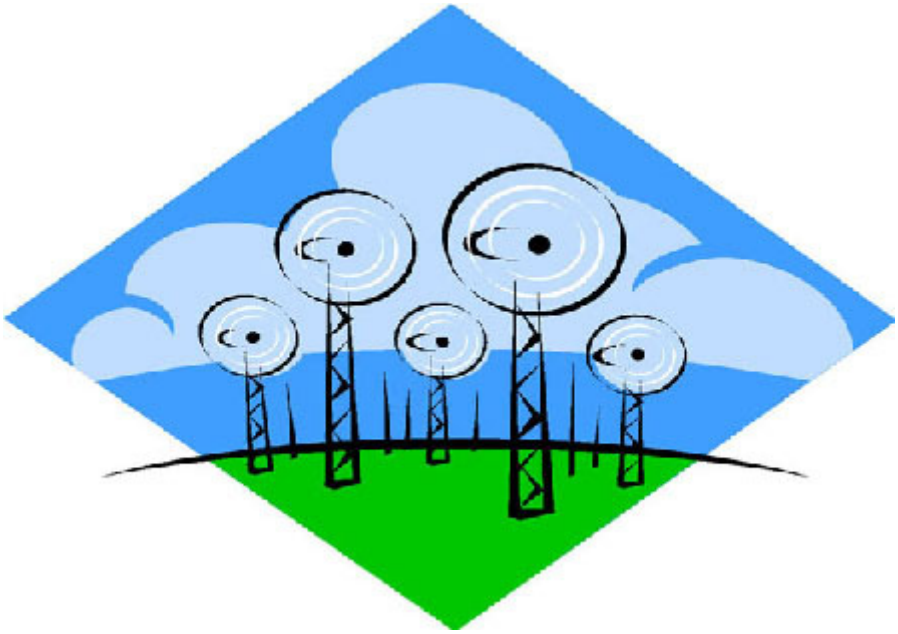
Tax Expenditures Explained

According to the Institute on Taxation and Economic Policy's briefing paper, "Tax Expenditures: Spending by Another Name," these targetted tax breaks are called 'tax expenditures' because 'they are essentially government spending programs that happen to be administered through the tax code.'

Both tax expenditures and government spending are intended to achieve public policy objectives – whether those policies are to grow the economy, keep residents safe, or assist those in need. In the case of government spending, the government sends a check to an individual or spends money on a program. In the case of tax expenditures, the recipient of a credit, deduction or exemption pays less in tax. In either case, the government has less revenue to spend on other programs or services.

By way of example, the Institute for Taxation and Economic Policy (ITEP) cites a hypothetical state government-supported program to build windmills as an alternative energy source. State government can either subsidize the windmill program directly or provide tax rebates to companies that build windmills and/or consumers who purchase windmill-generated energy. In directly subsidizing the program, for example, the state could add extra dollars to the state energy department budget that could be subcontracted to businesses that build windmills for energy. To subsidize these hypothetical windmills indirectly through tax expenditures, the state could allow for an exemption or deduction from the gross receipts, personal or corporate income tax. Whether the windmill program is supported through direct state government spending or by tax expenditure in the form of a credit or deduction, the result will be the same: more windmills will be built and the government (via tax payers) will pay for them. In terms of the result – reduction of the state's financial resources – it does not matter whether the direct or indirect approach is taken.

"Tax expenditures" are essentially government spending programs that happen to be administered through the tax code. The issue with government spending administered through the tax code is that such 'tax expenditures' become virtually invisible compared to budgeted public spending.



A Matter of Visibility

The problem, especially in New Mexico, is one of visibility. A program for building windmills as an alternative energy source would be visible as a budgetary line item if the direct spending approach had been taken. Every year, legislators would see that line item in the energy department's budget, and analysts and policymakers could question the state agency and involved businesses about new windmill facilities: how many jobs have been created, what wages are paid, the costs of the windmill energy compared to coal or gas, the impacts on the environment, etc.

If the tax expenditure route had been taken, however, the cost in government revenues will forever be obscured from both the public and policymakers. As this paper explains, after the law is passed that allows the tax expenditure, there is no mechanism to answer the same questions policymakers and analysts ask about direct budget expenditure.

The issue with government spending that's administered through the tax code is that such 'tax expenditures' become virtually invisible in comparison with budgeted public spending. New Mexico has some specific procedures in place that make tax expenditures visible when they are first proposed as legislation, but they tend to become opaque after passage. When legislation is introduced in New Mexico, it is subject to analysis and 'costing out,' which determines how much it will cost in lost revenue. This cost is reported in a short document called a 'fiscal impact report' – or FIR. The FIR for tax expenditure legislation provides a summary of the language, intent and cost of the legislation, and helps legislators decide whether to vote for or against the legislation. The FIRs are very professionally written and furnish a reasonable estimate of how much the proposed legislation is likely to cost – for the first two years. But there the matter ends.

In New Mexico, there is no mechanism, either formal or informal, for policymakers or analysts inside or outside of state government to evaluate the costs of tax expenditures once they are passed into law. Tax expenditures can be very expensive to the state in lost revenue, but they typically escape attention from an often over-burdened citizen legislature. No matter how conscientious the legislator or the state government analyst who looks at state expenditures, data on most tax expenditures in New Mexico are simply not available. For instance, New Mexico has a very broad gross receipts tax base. That is, almost all goods and services are subject to the state's gross receipts tax. But, fully half of the gross receipts tax base evaporates in statutory deductions.

For example, in 2005 total gross receipts were about $87 billion and taxable gross receipts after deductions were $41 billion. In order to collect $2.5 billion in revenue, the actual tax rate was 6.7 percent. The rate to collect the same amount on total gross receipts would have been 3.1 percent. (See Appendix I for 2005 data.)

The deductions for receipts for food and health care passed by the 2004 Legislature are an example of what should be done. The legislation required that the deductions for food and health-care services be reported separately, so that the Legislature could track the cost of the new deductions. This has been done, and the cost of the deductions is now reported in the New Mexico Taxation and Revenue Department's Report 80, an online report on the gross receipts tax. A summary of the cost of the new 2004 deductions is included in the table given in Appendix I.

Tax Expenditures are Treated Differently

As a practical matter, tax expenditures usually do not compete on a level playing field with other public spending. The budgetary treatment of tax expenditures versus public spending is different in several ways.

1. Government spending takes the form of a specific dollar amount for a certain program for the fiscal year, while tax expenditures are open-ended. Tax expenditures are similar to an entitlement (the Medicaid program, for example), except that there is an effort made to estimate the cost of entitlement programs like Medicaid. Medicaid appears as part of a state agency budget each year. There is no annual appropriations process and no formal oversight process for tax expenditures in New Mexico.

2. ***Tax expenditures are available to any individual or corporation that meets the eligibility criteria for the exemption or deduction.*** In addition, the benefits of the tax expenditure are available until the exemption or deduction is repealed. However, it's very rare that a deduction or exemption from the income or the gross receipts tax is repealed.

3. ***The budgetary process requires state agencies in the executive branch (the Economic Development Department, for example) to evaluate their programs and justify spending priorities to the state Legislature.*** In New Mexico, both the executive and legislative branches of government prepare annual budget documents that set the spending priorities of that branch. The budgets of each executive agency are considered during the course of committee hearings prior to the legislative session as well as during each session. The budget that is passed by the Legislature each year thus reflects the priorities of both the legislative and executive branches of government in the form of a grand compromise in which neither branch of government may receive everything it wants.

4. ***Identification of the cost of tax expenditures by statute is the cornerstone of transparent policy regarding tax expenditures, but this information is not available in New Mexico.*** In contrast, it is fairly easy to identify the recipients of government spending programs.

> Many of the state's tax expenditures may be functioning like a sheet anchor on a sailboat, which drags below the water line to impede the boat's forward momentum. But because they are invisible, we simply don't know how much the revenue growth is impeded.

In summary, exemptions to normal New Mexico tax code or 'tax expenditures' should be a subject of public attention and concern. Every year, the Legislature hears hundreds of hours of testimony from public officials and private citizens about publicly funded programs like Medicaid, education, disability programs, juvenile justice, childcare subsidies and much, much more. The ability to fund all of these programs depends on the amount of money available to the Legislature in the state's general fund. Most often, the debate comes down to funding one priority over another. While legislators might like to fully fund the program that serves disabled adults and children, they have to choose between that and, for example, teacher salaries. There are never enough general fund dollars to do it all.

Tax expenditures are simply another way that the Legislature spends public dollars. Tax expenditures should be debated in the same forum as spending for public education, and evaluated against all the other programs and services that are paid for with taxpayer dollars. Tax expenditures should be subject to the same level of oversight and review given to direct expenditures. Like any aspect of government, this one should be open to discussion, review, challenge and revision. New Mexico needs a law requiring that a tax expenditure report be prepared annually and made available to the public for comment.

Tax Expenditure Reporting

The solution to the problem described in the first section of this report is for state government to produce a tax expenditure report in New Mexico. The federal government produces such a report annually. Most state governments also produce tax expenditure reports. According to ITEP:

A tax expenditure report is simply a listing of the tax breaks that reduce tax revenues. The federal government publishes an annual tax expenditure report which serves as a laundry list of individual and corporate tax breaks: the most recent report lists 151 corporate and individual tax expenditures, with an annual cost in fiscal year 2004 of $774 billion.

A tax expenditure report should include a thorough discussion of three key elements:

1. A complete list of exemptions, deductions, and tax credits available in New Mexico;

2. An estimate of the cost of each exemption, deduction and credit by statute for the current fiscal year, also indicating the purpose of the tax expenditure and the industry that benefits from it;

3. An itemized listing of all tax expenditures that result from tying the state personal and corporate income tax base to that of the federal government, indicating the purpose for the tax expenditure and an estimate of the cost of these expenditures for the current year by statute where appropriate.

The tax expenditure report should be published annually as part of both the executive and legislative budgets so that the state Legislature can incorporate this information into setting spending priorities.

For the gross receipts tax, the state Taxation and Revenue Department (TRD) provides the Report 80 online. The Report 80 provides total receipts, deductions, taxable gross receipts, and gross receipts taxes paid by industry code. This reporting system provides useful information, but is not immediately useful in the analysis of tax expenditures because the data are not available by statute. For example, there may be several statutes that allow deductions from gross receipts taxes for different elements of a manufacturing operation. The Report 80 groups all of the manufacturing information together, so legislators and the public are unable to separate the effects of one statute from another. A good tax expenditure report shows the cost of each deduction by statute so policymakers can analyze the impact of that statute against the stated public policy objectives.

The New Mexico TRD also produces an extensive report on the personal income tax. The layout of this report is largely determined by the structure of the forms used to report personal income and tax to the state. Personal income tax data is provided from income, exemptions and deductions reported on New Mexico personal income tax forms and supplementary schedules. As in the case of the reports produced on the gross receipts and compensating tax, this report would be much more useful if it were tied to the specific statute which allows the exemption or deduction. Another improvement to the report would be a summary table providing information on income, deductions, exemptions and personal income taxes paid by income class.

The corporate income tax brings in a relatively small share of state general fund revenue in New Mexico – about 4.5 percent. Still, the share of the corporate income tax in New Mexico's general fund revenues has been rising in recent years. As recently as 2003, it was only 2.5 percent of general revenue funds. The rise in corporate taxes as a share of the general fund is because roughly half of the corporate income tax is paid by oil and natural gas extraction companies. As the prices of oil and gas have risen, so have the earnings of the oil and gas companies, and their corresponding taxes. There is very little published information available regarding this tax.

There are other issues with the New Mexico corporate income tax. Some corporations do business in several states. The standard state corporate income tax formula for allocating taxable income among the states uses a three-part formula of payrolls, inventory and sales to arrive at the tax base for a given state. New Mexico allows 'separate' reporting for the corporate income tax of multi-state corporations, so New Mexico is not protected from a variety of ruses that corporations use to minimize state income tax liabilities. Legislation has been introduced in recent legislative sessions that would require 'combined reporting' to correct this set of problems, but has made little headway.

In addition, corporations may have a tax advantage because New Mexico allows manufacturing firms to reduce their tax liability by double-weighting sales in the apportionment formula. This procedure reduces the amount of income that can be taxed under the corporate income tax for manufacturers. The underlying public policy rationale for this tax expenditure was to stimulate economic development by encouraging manufacturing plants to locate in New Mexico. However, there has been no study of whether manufacturing had indeed located in New Mexico because of this particular tax expenditure, and an estimate of the cost of this provision is not available.

As shown in the table below, there are currently 30 states that prepare tax expenditure reports. Of these reports, 22 are considered to be good quality reports, two are considered fair, and six are considered poor. New Mexico is one of only 20 states that do not compile a report at all.

Tax Expenditures by State

State	Report Required	Report Quality	State	Report Required	Report Quality
Alabama	No	--	Montana	Yes	Good
Alaska	No	--	Nebraska	Yes	Good
Arizona	Yes	Good	Nevada	No	--
Arkansas	Yes	Fair	New Hampshire	Yes	Poor
California	Yes	Poor	New Jersey	No	--
Colorado	No	--	New Mexico	No	--
Connecticut	Yes	Good	New York	Yes	Good
Delaware	Yes	Good	North Carolina	No	--
Florida	No	--	North Dakota	Yes	Poor
Georgia	No	--	Ohio	Yes	Good
Hawaii	No	--	Oklahoma	Yes	Fair
Idaho	Yes	Good	Oregon	Yes	Good
Illinois	Yes	Good	Pennsylvania	Yes	Good
Indiana	No	--	Rhode Island	No	--
Iowa	Yes	Good	South Carolina	Yes	Poor
Kansas	No	--	South Dakota	No	--
Kentucky	Yes	Good	Tennessee	Yes	Poor
Louisiana	Yes	Good	Texas	Yes	Good
Maine	No	--	Utah	Yes	Poor
Maryland	No	--	Vermont	No	--
Massachusetts	Yes	Good	Virginia	No	--
Michigan	Yes	Good	Washington	Yes	Good
Minnesota	Yes	Good	West Virginia	Yes	Good
Mississippi	Yes	Good	Wisconsin	Yes	Good
Missouri	No	--	Wyoming	No	--

Quality of Report - Tabulation	
Good	22
Fair	2
Poor	6
None	20
Total	50

Source: American Federation of State, County, and Municipal Employees

Best Practices: Texas Tax Expenditures and Tax Incidence Report

The Texas Comptroller's Office prepares a tax expenditure report each January that lists all exemptions, exclusions and deductions from all revenue sources in Texas. *The Tax Exemptions and Tax Incidence Report* is typically about 75 to 80 pages long. The Texas report is a good example of what a similar report in New Mexico could look like. It is comprehensive and factual, and clearly describes each of the tax expenditures associated with each category of tax and their cost to the state. In addition to a listing of the cost to the state budget of all tax expenditures, the Texas report also estimates tax payments by income deciles, or tenths, of taxpayers. The report, therefore, combines an analysis of tax expenditures and a tax incidence study in one document. This report has been produced since the early 1990s.

Texas does not have an income tax, so the focus of the tax expenditure analysis and the tax incidence study is on the various sales and property taxes, which pose more challenges to the analyst than does the income tax. The tax expenditure section of the Texas report provides statutory reference, date of enactment, and estimated cost for each exemption, exclusion and discount for each of the major taxes in Texas, which include a sales tax, a corporate income tax (called a franchise tax in Texas), gasoline tax, motor vehicle sales and use tax, and school property tax.

The tax incidence section of the Texas report provides a general introduction to the theory of tax incidence and a thorough discussion of the impact of the Texas tax system on industries, on individuals by income tenths, on businesses (corporations, partnerships and sole proprietors), and by homeownership category (homeowners and renters). These four tables — industry, income deciles, business ownership type, and home ownership category — are presented in sum and then broken out for each tax. The analysis also presents an estimate of the proportion of the tax that is exported outside Texas and a commonly used index of tax equity for each tax.

The incidence tables for the franchise tax (the Texas equivalent of corporate income tax) provide the same four overview tables as for all other taxes (for industry, income category, business ownership and home ownership). These tables describe the tax burden created by corporate taxes on industries, individuals, types of businesses and homeowners and renters. The report goes even further to show the tax burden created by the various exemptions from corporate taxes (for example, insurance companies, nonprofits and other entities are exempted from the Texas franchise tax) on industries and individuals. The importance of this information is that policymakers can see that the effect of allowing some entities to be exempted from taxes means that the tax burden is shifted to other entities. But, the burden is not shifted to everyone equally, because those categories of tax payers have other exemptions, deductions and credits that reduce their tax burden. So, the burden of tax expenditures falls disproportionately on those who have the fewest exemptions, deductions and credits.

The Texas tax expenditure and incidence report would be the best model for New Mexico policymakers and citizens. It would allow us to know the cost of tax expenditures, but it would go even further by allowing us to analyze how those tax expenditures change the tax burden, or tax incidence, for everyone who pays taxes.

For example, what if New Mexico eliminated all of the deductions from the gross receipts tax? The result would be that the gross receipts tax base would more than double. If the state did not need the revenue that would be generated at the current gross receipts tax rate, then the gross receipts tax rate could be reduced. Instead of the current gross receipts tax rate of nearly 7 percent, what if the rate was approaching 3 percent? The reduced rate would be good for people and business. This policy solution could be compared to the current policy solution of allowing some categories of tax payers deductions from gross receipts taxes, while others pay higher tax rates to make up for it. And, this might be a better solution than continuing to erode the gross receipts tax base by more targeted deductions.

Conclusion

The Corporation for Enterprise Development, known as CFED, produces an annual analysis of state public policy called the "Assets and Opportunity Scorecard" which rates the 50 states and Washington, D.C., on a comprehensive set of performance measures. The Assets and Development Scorecard includes a measure of state tax system accountability and transparency. The two measures of an open tax system selected by CFED are the production of a tax expenditure report and a tax incidence report.

CFED explains the importance of a tax expenditure report:

Many states erode their tax base and harm horizontal equity (treating taxpayers with the same income equally) by providing a variety of tax incentives and breaks to both business and households. An effective way of increasing accountability and tracking the costs to the state in lost revenues due to these incentives is to require that tax expenditure reports be compiled annually or biannually.

The importance of a tax incidence report is described by CFED as follows:

…states have developed mathematical models for determining the fiscal impact of changes to the tax code. However, states are much less sophisticated in analyzing who will pay more or less in taxes as a result of the change. Only a few states have developed the capacity to determine how proposed changes in the tax laws would affect the amount of tax owed by different income groups in their populations or how tax obligations are distributed across income groups at a particular point in time. Only two states (Texas and Minnesota) mandate that a distributional analysis of their tax laws, called a tax incidence study, be conducted. A multi-tax economic incidence model allows states to see the distributional effects of tax code changes across different income levels.

The state of New Mexico should build on its current strengths in tax policy analysis — such as the presence of an income tax model and good fiscal impact analysis – by moving toward full-fledged revenue transparency. Tax expenditure and tax incidence reporting are well-established best practices that can and should be adopted by the state of New Mexico.

Analysis of Gross Receipts by Industry (State Summary)
2005 Annual Average

Industry	NAICS Description	Count	Gross Receipt		Taxable Gross	Gross Tax	Food-Med Tax	Food-Med Deduction
Agriculture, Forestry, Fishing and Hunting	Totals	5,187	344,012,360	261,053,109	82,959,252	5,417,765	8,935	309,329
Mining and Oil and Gas Extraction	Totals	7,573	2,077,263,839	460,061,637	1,617,202,202	98,980,623	0	0
Utilities	Totals	8,034	2,570,547,824	666,453,117	1,904,094,707	122,417,711	0	0
Construction	Totals	131,093	9,553,490,226	3,516,241,967	6,037,248,259	397,024,008	380	11,521
Manufacturing	Totals	43,692	4,696,814,046	3,640,920,488	1,055,893,558	66,847,711	566,302	22,305,153
Wholesale Trade	Totals	67,785	18,277,944,591	15,865,681,930	2,412,262,661	153,562,807	3,412,955	114,812,382
Retail Trade	Totals	234,102	22,513,498,544	11,439,003,801	11,074,494,743	748,133,119	69,252,887	2,201,089,132
Transportation and Warehousing	Totals	12,731	1,505,523,079	1,107,418,068	398,105,011	24,873,115	0	0
Information and Cultural Industries	Totals	43,298	1,108,214,675	229,084,409	879,130,266	56,718,323	0	0
Finance and Insurance	Totals	12,722	438,398,384	175,127,170	263,271,214	17,836,629	21,001	712,587
Real Estate and Rental and Leasing	Totals	32,714	1,580,799,413	913,140,932	667,658,480	44,259,837	45,948	1,496,598
Professional, Scientific and Technical Services	Totals	105,627	6,583,602,101	2,446,990,334	4,136,611,767	258,580,679	858,495	27,460,874
Management of Companies and Enterprises	Totals	1,849	211,442,228	158,056,138	53,386,090	3,648,025	0	0
Admin and Support, Waste Mgt	Totals	10,975	250,091,720	63,163,891	186,927,829	11,987,145	1,091	102,662
Educational Services	Totals	6,645	158,017,572	23,867,324	134,150,248	9,008,904	7,212	272,642
Health Care and Social Assistance	Totals	63,179	3,180,905,105	1,564,600,342	1,616,304,763	110,911,931	14,341,921	456,895,434
Arts, Entertainment and Recreation	Totals	6,906	196,981,997	57,803,241	139,178,756	8,976,958	0	0
Accommodation and Food Services	Totals	49,251	3,080,833,330	325,349,412	2,755,483,918	190,619,404	203,236	7,989,940
Other Services (except Public Admin)	Totals	267,930	8,868,786,973	3,425,428,444	5,443,358,529	351,552,034	1,678,595	51,852,265
Public Administration	Totals	1,181	238,177,612	87,442,308	150,735,305	10,231,086	0	0
Unclassified Establishments	Totals	3,347	82,529,798	47,498,640	35,031,158	2,214,589	0	0
Totals		1,115,822	87,517,875,535	46,474,386,702	41,043,488,833	2,693,802,413	90,398,958	2,885,310,519

Source New Mexico Taxation and Revenue Department. Report 80
Calculations by the Fiscal Policy Project of New Mexico Voices for Children

Appendix I- Exemptions from the Gross Receipts Tax

Definition of Exemption: Exemptions from gross receipts tax are receipts which are not taxable and do not have to be reported to the Taxation and Revenue Department.

List of Statutory Exemptions

Agricultural Examptions

1. Receipts from selling livestock or horses, live poultry, unprocessed agricultural products.
2. Receipts from feeding or pasturing livestock.

Food Stamp Exemption

1. Receipts of retailers from redemption of food stamps

Governmental Entity Exemptions

1. Receipts of federal government, State of New Mexico, or any Indian nation, tribe or pueblo.
2. Receipts of instrumentalitites of the armed forces of the United States.

Insurance Company and Bail Bondsman Exemption

1. Receipts of insurance companies or their agencies from premiums and receipts of property to bondsman for security for a bail bond.

Interest and Dividend Exemption

1. Interest and money loaned or deposted; dividends or interest from stocks, bonds or securities and receipts from the sale of stocks, bonds or securities.

Interstate Telecommunications Services Exemption

1. Receipts from selling or providing interstate telecommunications services.

Isolated or Occasional Sales Exemption

1. Receipts from the isolated or occasional sale or leasing of property or service by a person who is not in the business of selling or leasing this property or service.

Mobile Telecommunications Services Exemption

1. Receipts of a home service provider from providing mobile telecommunications services to person whose place of primary use is outside New Mexico.

Municipal Event Center Surcharge Exemption

1. Receipts from selling tickets, parking, souvenirs, concessions, programs, advertising, and merchandise sold at a municipal event center on which an event center surcharge is imposed.

Nonprofit Organization Exemptions

1. Receipts of nonprofit entitiles from operating facilities designed and used for providing accommodations for retired elderly persons.
2. Receipts from organizations under Section 501(c)(3) of the U.S. Internal Revenue code.
3. Receipts of organization recognized under Section 501(c)(3) of the U.S. Internal Revenue Code from conducting chamber of commerce, visitor bureau or convention bureau activities.

Oil, Natural Gas, and Mineral Exemptions

1. Oil, natural gas or liquid hydrocarbons subject to the Oil and Gas Emergency School Tax that are sold for resale, for consumption outside New Mexico, or for use as an ingredient or component part of a manufactured product.
2. Oil, natural gas or liquid hydrocarbons subject to the Natural Gas Processors Tax Act that are sold for resale, for consumption outside New Mexico, or for use asan ingredient or component part of a manufactured product.
3. Natural resources subject to the Resources Excise Tax that are sold for resale, for consumption outside New Mexico, or for use as an ingredient or compondent part of a manufactured product.

Out-of-State Services Exemption

1. Receipts from services performed outside the state when the product is initially used in New Mexico.

Racetrack Exemption

1. Receipts of horsemen, jockeys from race purses at New Mexico horse tracks and receipts of racetracks from amounts wagered.

Textbook Exemption

1. Receipts of certain bookstores from selling textbooks and other material required for courses at a public post-secondary educational institution to a student on which a stadium surcharge is imposed under the Monor League Baseball Stadium Funding Act.

Vehicle, Boat and Fuel Exemptions

1. Receipts from selling vehicles subject to the motor vehicle excise tax and certain vehicles exempt from the motor vehicle excise tax.
2. Receipts from selling boats subject to the boat excise tax.
3. Receipts from sales of gasoline special fuel, or alternative fuel on which the relevant excise taxes have been paid.

Wage Exemption

1. Receipts of employees from wages and salaries and receipts from commissions received as an employee are also exempt.

Appendix II - Deductions from the Gross Receipts Tax

Definition of Deduction: A deduction from gross receipts, like an exemption, results in an amount not subject to tax. Unlike an exemption, both gross receipts and the amount of deductions must both be reported on the CRS-1 form.

1. Agricultural Deductions
2. Aircraft Deductions
3. Border Trade Support Deductions
4. Commission Deductions
5. Construction Deductions
6. Credit Union Deductions
7. Film Lease Deductions
8. Sale to Film Makers Deduction
9. Food Deduction
10. Governmental Entity Deductions (Sales to)
11. Gross Receipts Tax Holiday Deduction
12. Internet Deductions
13. Interstate Commerce Deductions
14. Leasing Deductions
15. Loan Charges Deduction
16. Lottery Retailer Deduction
17. Manufactured Home Resale Deduction
18. Manufacturing Deductions
19. Medical Deductions
20. Mining, Milling or Oil Company Deduction
21. Nonprofit Organization Deduction (Sale to)
22. Nonprofit Organization Deduction (Sale by)
23. Out-of-State Buyer Deduction
24. Property Resales Deduction
25. Publisher's Deduction
26. Real Estate Deductions
27. Refund and Allowance Deduction
28. Service Provider Deductions
29. Telecommunications Deductions
30. Trade-In Deduction
31. Uranium Enrichment Plant Deduction
32. Warranty Fulfillment Deduction