

NEW MEXICO BULLETIN

The Taxation of Prepaid Telephone Cards in New Mexico

The receipts from the sale of prepaid telephone cards (“calling cards”) are taxable when the sale is in New Mexico. A new regulation (3 NMAC 2.1.16.7, applicable to transactions on or after September 1, 1998) reads that the sale of these calling cards is the sale of a license to use the telecommunications system and subject to the gross receipts tax.

Gross Receipts Tax

The gross receipts tax is imposed on the sale of property in New Mexico, the lease of property in New Mexico, the performance of a service in New Mexico and the performance of a service outside of New Mexico the product of which is initially used in New Mexico.

Included in the definition of property is the sale of a license (Section 7-9-3(I) NMSA 1978).

Transactions Dealing with Calling Cards

Regulation 3 NMAC 2.1.16.7

Receipts from the sale of an unexpired calling card in New Mexico are receipts from the sale of a license and subject to the gross receipts tax.

Receipts from selling an expired prepaid telephone card (collectable) in New Mexico are receipts from the sale of tangible personal property and subject to the gross receipts tax.

Receipts from recharging in New Mexico a rechargeable calling card are receipts from the sale of a license and subject to the gross receipts tax.

Reselling Calling Cards

Receipts from the sale of calling cards that are purchased for resale may be deductible if the purchaser delivers a Type 2 Nontaxable Transaction Certificate to the seller (Section 7-9-47).

New Mexico Taxation and Revenue Department
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Santa Fe, NM 87504-0630

Interstate Telecommunications Gross Receipts Tax

Section 7-9C-2 states [in part]:

...

C. "interstate telecommunications gross receipts" means the total amount of money or the value of other consideration received from providing interstate telecommunications services that either originate or terminate in New Mexico and are charged to a telephone number or account in New Mexico...

D. "interstate telecommunications service" means the service of originating or receiving in New Mexico interstate and international telephone and telegraph service, ...

When a calling card is used by the calling card holder to obtain interstate telecommunications services, the interstate telecommunications business is not subject to the interstate telecommunications gross receipts tax because the business does not have interstate telecommunications gross receipts as defined in Section 7-9C-2(C). While the service may have originated or terminated in New Mexico, it is not charged to a telephone number or account in New Mexico.

For more information about the *Taxation of Prepaid Telephone Cards* please contact the Tax Information and Policy Office: (505)827-0908, (505)827-0928 or (505)827-0909 or your local tax district office listed below.

TAX DISTRICT OFFICES

All phone numbers are area code 505.

Alamogordo:	437-4850	Clovis:	763-5515	Roswell:	624-6065
Albuquerque:	841-6200	Farmington:	325-5049	Santa Fe:	827-0951
Carlsbad:	885-5616	Hobbs:	393-0163	Silver City:	388-1101
		Las Cruces:	524-6225		

Main Switchboard: 827-0700 (Santa Fe)

General Information. FYIs and Bulletins present general information with a minimum of technical language. All FYIs and Bulletins are free and available through all local tax offices, the Tax Information and Policy Office and on the Internet. The Taxation and Revenue Department's Internet address is: <http://www.state.nm.us/tax/>

On request, this publication can be made available in various accessible forms. Please contact: ADA (Americans with Disabilities Act) Coordinator, New Mexico Taxation and Revenue Department, P.O. Box 630 Santa Fe, NM 87504-0630, (505)827-0369. For TDD (telecommunications device for the deaf) service, call through the New Mexico Relay Network: (505)889-0420 in the Albuquerque area and out of state, 1-800-659-8331 or 1-800-659-1779 (voice).

This publication provides instructions or general information to the taxpayer. It does not constitute a regulation or ruling as defined under Section 7-1-60, *New Mexico Statutes Annotated*, 1978. Taxpayers and preparers are responsible for being aware of New Mexico tax laws and rules. Consult the Department directly if you have questions or concerns about information provided in this Bulletin.