



PERSPECTIVES ON TAX COMPETITIVENESS IN A BORDER REGION





Santa Teresa Jetport

Santa Teresa Gateway Rail Park

West Park

Airport Park

Binational Industrial Park

NEW MEXICO

TEXAS

70 companies
6 million square feet
6,000 employees

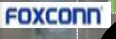
PACIFICA

Cross-Border Industrial Campus

St. Francis Extension

CHIHUAHUA

3 companies
1,900,000 sf
13,500+ employees



Recently Completed Projects

Admiral Cable: 140,000 sf



Cymmetrik: 20,000 sf



Ergomotion: 365,000 sf



W Silver Recycling: 120,000 sf



Aries: 145,000 sf



Sierra Madre Produce: 67,000 sf
Rio Blue: 32,000 sf



Recently Completed Spec Buildings

Santa Teresa West Park

Blue Road Investments
Spec 1: 315,000 sf



Blue Road Investments
Spec 2: 365,000 sf



Franklin Mountain Industrial:
Spec 1: 183,000 sf
Spec 2: 183,000 sf



Projects Under Construction

Diamond Onion: 54,000 sf



Louisiana Pepper Exchange:
45,000 sf and 120 tanks



Metals Distributor: 75,000 sf



Monti, Inc.: 80,000 sf



Franklin Mountain
Packaging:
150,000 sf



30-acre campus



New Spec Buildings Under Construction

Blue Road
Spec 3: 220,895 sf



Blue Road:
Spec 4: 425,368 sf



Abyacsa
Spec 1: 135,000



Abyacsa
Spec 2: 135,000



Border Spec 1: 120,000 sf



Retail Growth



Loves Truck Stop Santa Teresa



Union Ganadera Restaurant



Ricardo's Mexican Cuisine



San Jeronimo Projects

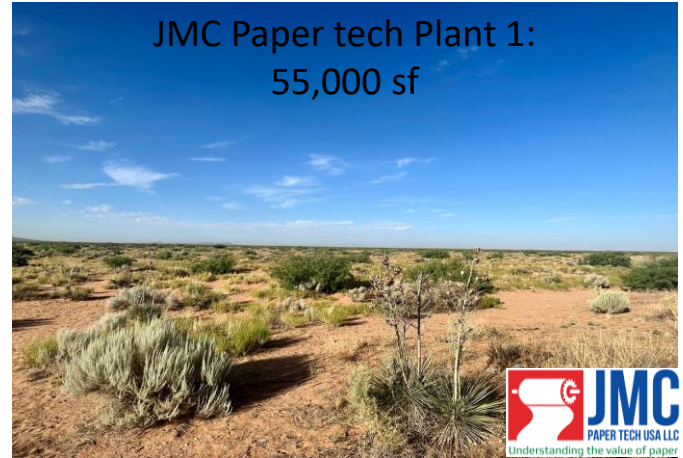
Foxconn Expansion:
1.5 million sf



Sunrise Confections, Plant 2:
280,000 sf



JMC Paper tech Plant 1:
55,000 sf



Santa Teresa Space Under Construction



Blue Road Investments	220,895 sf
	425,368 sf
Abyacsa	135,000 sf
	135,000 sf
Border Spec 1	120,000 sf
Franklin Mountain Packaging	150,000 sf
Metal Fabrication	80,000 sf
Monti, Inc.	75,000 sf
Diamond Onion	80,000 sf
Louisiana Pepper Exchange	45,000 sf
TOTAL SANTA TERESA	1,440,263 sf

San Jeronimo Space Under Construction



Foxconn 1,200,000 sf

Sunrise Confections 280,000 sf

JMC 55,000 sf

TOTAL San Jeronimo 1,535,000 sf

TOTAL SANTA TERESA/SAN JERONIMO: 3,001,263 sf

TX vs NM – Industrial Development

FIGURE 3: Market Statistics

	Net Rentable Area (SF)	Availability Rate (%)	Vacancy Rate (%)	2023 Net Absorption (SF)	Median Asking Rent (\$/SF/Yr NNN)	Under Construction (SF)	2023 Deliveries (SF)
Airport	1,111,668	1.7	1.7	(7,168)	11.50	-	-
Downtown	3,287,932	1.9	0.2	(5,523)	10.00	-	-
Mesa del Sol	693,896	-	-	-	-	-	-
NE Heights	482,381	0.9	0.9	(4,420)	9.00	-	-
North I-25	16,615,610	0.9	0.6	(4,619)	11.63	138,612	-
North Valley	2,660,178	0.8	-	-	8.75	-	-
Rio Rancho	6,539,789	-	-	7,600	-	-	-
SE Heights	1,511,743	4.8	2.8	89,454	14.16	-	-
South I-25	2,958,380	-	-	84,000	-	148,140	84,000
Valencia County	3,234,118	6.1	6.1	-	9.50	-	-
West Mesa	7,622,317	-	-	5,099	9.88	148,720	-
Market Total	46,718,012	1.1	0.8	164,423	11.27	435,472	84,000

Source: CBRE Research, Q2 2023

- Despite being closer to Downtown El Paso, Santa Teresa has less industrial development than East El Paso.
 - Albuquerque has less than Santa Teresa.

FIGURE 2: El Paso Industrial Market Statistics

Submarket	Vacancy (%)	Availability (%)	Construction (SF)		Net Absorption (SF)
			Active	Delivered	Q2 2023
West	1.4	3.9	646,263	-	31,486
Northeast	-	1.2	-	-	80,750
Central	-	0.1	-	-	96,865
East	4.4	6.1	3,679,125	1,809,010	886,465
Lower Valley	7.2	11.3	252,236	102,067	102,067
El Paso Total	2.6	4.2	4,577,624	1,911,077	1,197,633
Class A	5.7	7.3	4,577,624	1,911,077	1,012,387
Class B	0.1	2.7	-	-	88,381

Source: CBRE Research, Q2 2023.

Eliminating GRT Pyramiding in Professional Service

- Currently Section 7-9-48 NMSA 1978 reads: *Receipts from selling a service for resale may be deducted from gross receipts or from governmental gross receipts if the sale is made to a person who delivers a nontaxable transaction certificate to the seller or provides alternative evidence pursuant to Section 7-9-43 NMSA 1978. The buyer must resell the service in the ordinary course of business and the resale must be subject to the gross receipts tax or governmental gross receipts tax.*
- Requiring the resale to be subject to GRT does not allow for stacking the Type 5 NTTC.
- This causes pyramiding for GRT for professional and construction services.
- Eliminating the highlighted section above and related regulations would eliminate unnecessary GRT pyramiding.

A dense network of industrial pipes and valves, overlaid with a blue tint. The pipes are arranged in a complex, crisscrossing pattern, with various fittings and elbows visible. The overall scene is industrial and technical.

**OIL & GAS
MANUFACTURING**

Oil & Gas and Manufacturing

- Currently, the definition of manufacturing specifically eliminates processing of natural resources as qualifying as manufacturing. This means that when a processing plant is built in New Mexico the equipment purchased to New Mexico GRT
- Texas allows for processing equipment to be included in their exemption for sales tax. This allows for the majority of a processing plant to qualify for exemption of Texas sales tax.
- With natural resources so close to the Texas border, processing companies are opting to build multimillion dollar plants in Texas due to the exemption from sales tax.
- Because of this, New Mexico is now losing GRT on construction (non manufacturing items would still be subject to GRT) and natural gas processor excise tax as the processing is not occurring in NM.

NONRESIDENT EMPLOYEES OF A QUALIFYING BUSINESS



Nonresident Border Exemption

Current Statute

7-2-11. Tax credit; income allocation and apportionment.

A. Net income of any individual having income that is taxable both within and without this state shall be apportioned and allocated as follows:

(4) compensation of a nonresident taxpayer shall be allocated to this state to the extent that such compensation is for activities, labor or personal services within this state; provided that the compensation may be allocated to the taxpayer's state of residence:

(b) if the compensation is for activities, labor or services performed for a business in the manufacturing industry in New Mexico that is located within twenty miles of an international border, that has a minimum of five full-time employees who are New Mexico residents, that is not receiving development training funds under Section 21-19-7 NMSA 1978 and that meets the qualifications of one of Items 1) through 4) of this subparagraph: 1) the business had no payroll in New Mexico during the previous calendar year; 2) the business had a payroll in New Mexico for less than the entire previous calendar year, and the first payroll of the new calendar year includes payments to New Mexico residents exceeding the highest monthly payroll for such residents in the previous calendar year; 3) the business had a payroll in New Mexico for the entire previous calendar year, and the first payroll of the new calendar year includes payments to New Mexico residents exceeding by at least ten percent both the payroll for all employees in January 2001 and the payroll for New Mexico residents twelve months prior to the commencement of the new calendar year; or 4) the business had a payroll in New Mexico for the entire previous calendar year, but had no payroll in New Mexico within one year prior to January 1, 2001, and the first payroll of the new calendar year includes payments to New Mexico residents exceeding by at least ten percent the payroll for such residents twelve months earlier; or

Nonresident Border Exemption

Proposed Changes

- Current language does not present a cap on the exemption.
 - Proposed language in 2011 would have limited the exemption to the lesser of property tax paid to the nonresident's state of residency or \$1,000.
- Current language excludes the whole company from qualifying if the company receives "development training" (JTIP, WIOA).
 - This creates a discouragement from using the programs that are in place to encourage hiring NM employees, especially in border communities.
- The multiple references to January 2001 can provide areas of disagreement and removing the date references can make the statute easier to read and apply.

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