



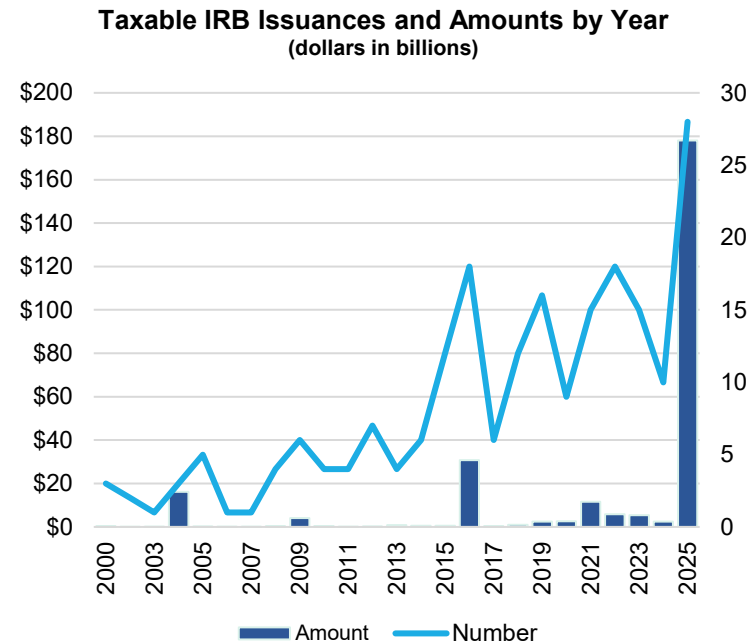
Industrial Revenue Bonds

Drew Weaver, Michael Hess – Program Evaluation Team
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Industrial Revenue Bonds (IRBs): an economic development tool that is growing in number and size.

Key Takeaways

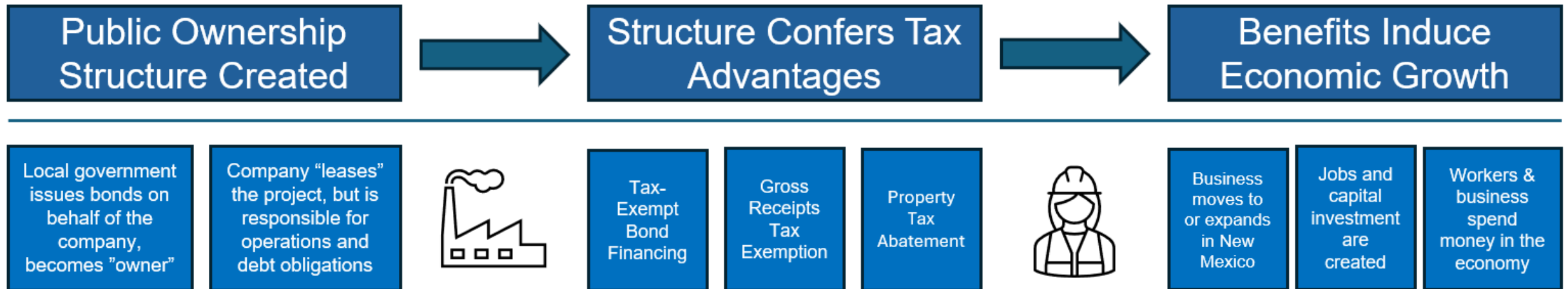
- At least 22 counties and 11 municipalities have issued 210 IRBs worth over \$265 billion between 2000-2025;
- Up to \$5 billion in state and local government tax benefits have been given to companies since 2000; and
- Despite IRBs allowing gross receipts tax deductions and property tax abatements, neither statute nor any department requires reporting on IRBs.



Source: LFC Analysis



What are IRBs? A conceptual overview



IRBs have shifted from low-cost financing to tax exemption vehicles.

Category	1968 to approximately 2000 Tax-exempt, public-issue IRBs	Post-2000 Taxable, privately placed IRBs
 Mechanism	Public offering to investors in the municipal bond market.	Private placement to a limited investor, often a company affiliate; relies on private negotiated agreements rather than a public offering.
 Primary benefit	Low-cost borrowing. Bond investors receive federal and state income tax exemptions, and therefore governments can receive good rates.	Public ownership, therefore local government can offer the project access to property tax abatement or GRT exemptions usually reserved for government projects.
 Key requirements	Public approval, federal tax-exempt bond compliance, and disclosure through EMMA and State Board of Finance reporting.	No public sale, so EMMA reporting is generally not required; agreements are approved locally.
 Typical size	Generally, under \$10 million under the federal small-issue framework, with other restrictions. New Mexico projects typically averaged about \$4 million to \$6 million.	Median issuance size of \$60 million, with multiple projects surpassing \$1 billion.
 Market presence in New Mexico	Broad but smaller-scale participation. EMMA records 112 publicly issued IRBs from 1968 through 2008, across 72 companies and 25 local governments.	Dominant modern structure. EMMA lists no new publicly issued New Mexico IRB projects after 2008, while taxable, privately placed agreements became the prevailing approach.
The Shift	IRBs have moved from a tool for low-cost, tax-exempt borrowing through the public markets to a structural tool through which local governments can legally confer property and gross receipts tax benefits.	



How should we think about IRBs? Similarly to other tax expenditures or economic development incentives.

Is there a clear rationale for the incentive?

Is the incentive designed to achieve its goals?

Does the incentive minimize negative economic impact?

Does the incentive include fiscal protections?

Is the incentive structured to be adequately, efficiently, and transparently administered?

What changes could be made to improve future analysis?

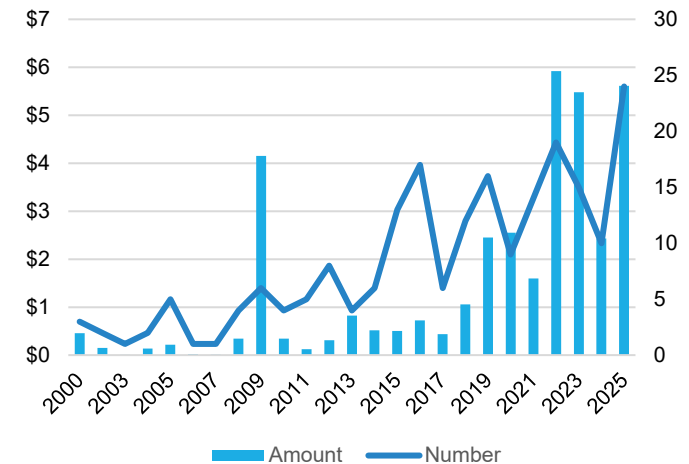


How should we read the numbers?

Issuance Amount. The maximum aggregate principal amount of bonds or other obligations authorized to finance a project. Issuance amounts do not represent government expenditures or direct subsidies; rather, they reflect the maximum value of private project activity potentially eligible for IRB financing and associated tax benefits.

Other metrics, such as capital investment (CapEx), forgone revenue, or economic benefit in the form of jobs created or induced GDP or revenue may also be used to assess project size or impact but are not consistently available across all projects.

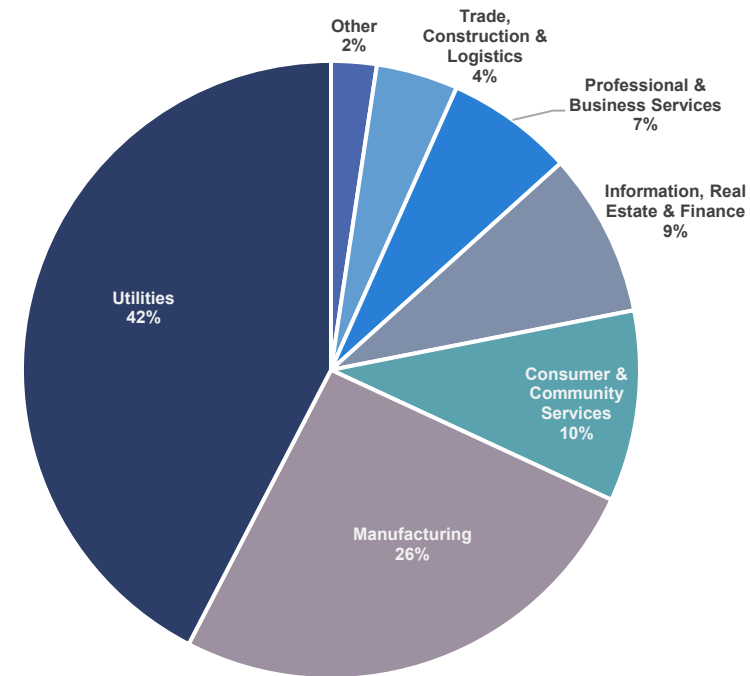
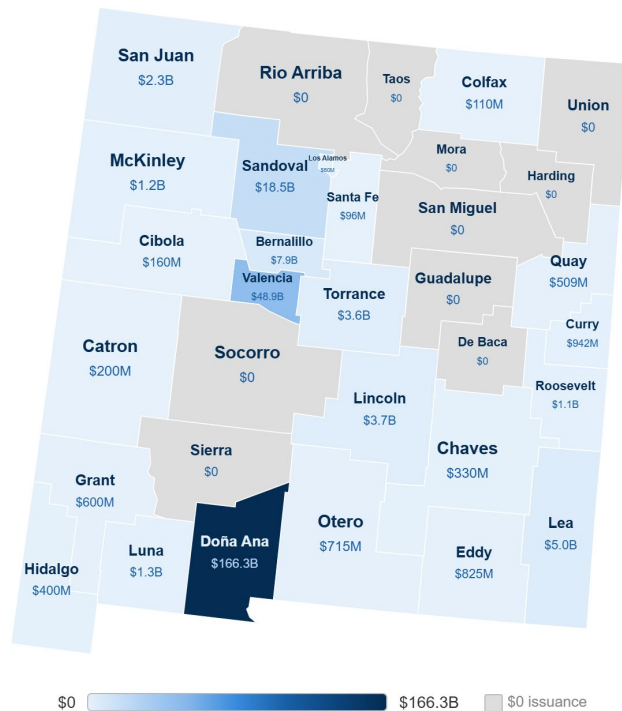
Issuances Over Time
(in billions)



Note: Chart excludes Project Jupiter, Meta, and Intel as the three largest outliers, to better illustrate trends. A similar chart with each can be found on Slide 2.
Source: LFC Analysis



IRBs function as a general-purpose incentive rather than a tool targeted to specific policy objectives.



Source: LFC Analysis

How do the tax benefits work?

Private Company → County or Municipality Issues IRB → Company Leases Project

1). Gross Receipts Tax Deduction

Local governments may use **Type 9 Nontaxable Transaction Certificates (NTTCs)** under state law.

Company passes NTTC on to vendors, allowing them to **deduct gross receipts tax** on tangible personal property

Tangible personal property: equipment, machinery, furniture, vehicles, other moveable assets.

For these capital-intensive industries, **roughly one-half to three-quarters of project costs** may consist of TPP, although the percentage varies by project.

Primary entities affected: state (4.875%), municipality and counties (variable)

Sample Contract Language

SECTION 14. STATE TAX MATTERS. The County shall acquire in its name the Project Property, including capital equipment and other tangible personal property used in the Project, and for such acquisitions the County will, consistent with New Mexico state law, assist the Company in obtaining the necessary nontaxable transaction certificates for delivery to vendors as may be applicable under the New Mexico Gross Receipts and Compensating Tax Act.

2). Property Tax Abatement

Projects under lease from a local government are exempt from property taxation.

In New Mexico, property tax is applied to

Real Property: Land and permanent improvements attached to the land, such as buildings and other structures.

Personal Property: property that is movable such as machinery, equipment, vehicles, furniture, and tools.

Local governments can demand a **payment in lieu of taxes (PILT or PILOT)**, with payments back to the issuing entity, local school districts, etc.

Primary entities affected: municipalities, counties, school districts, community colleges, special districts

Sample Contract Language

B. The County and the Company acknowledge that during the Term, the Project Property will be exempt from property taxation pursuant to Section 7-36-3 NMSA 1978. Notwithstanding the foregoing, for so long as the Bond is outstanding, the Company will pay to the County (i) the County PILOT, which shall be seventy percent (70%) of the amount of property tax that would be due to the County in connection with each mill levy imposed by the County, annually, for the first five years during which the Bond is outstanding, (ii) the School District PILOT, in an amount equal to the amount of ad valorem property tax that would be due to the School District in connection with each



IRBs cost state and local governments up to \$5.3 billion since 2000, and costs are growing. Examples of fiscal impacts include:

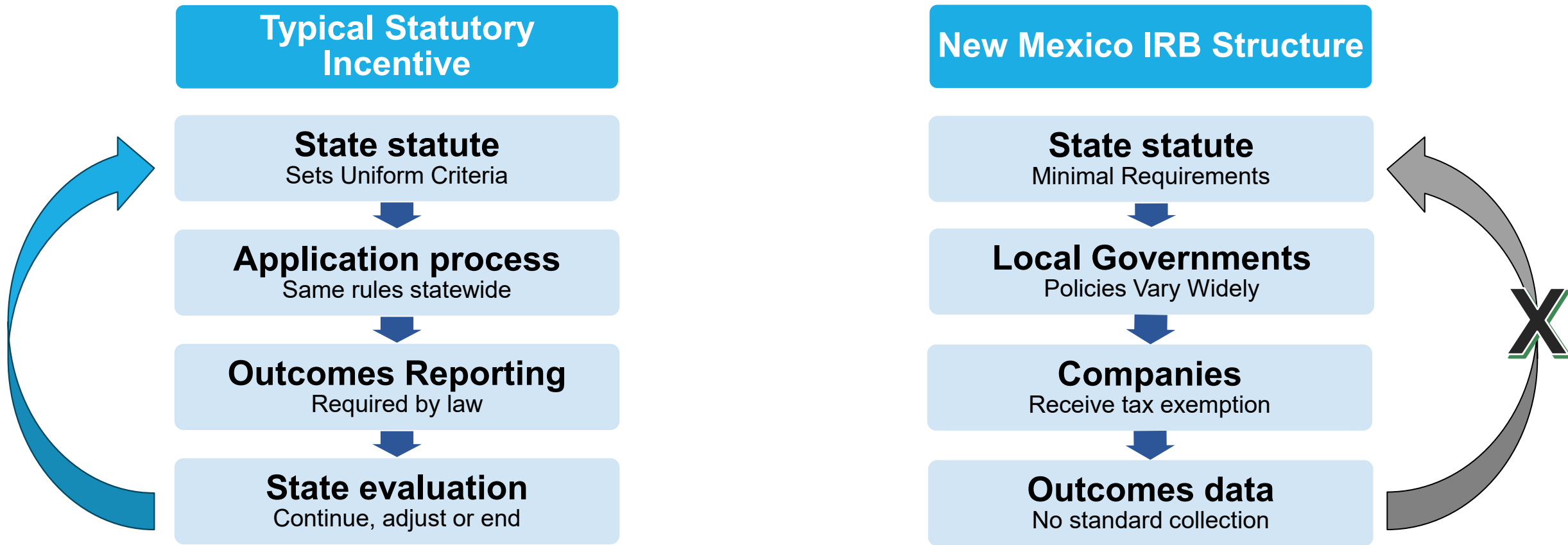
Forgone state GRT revenue by industry since 2000 (in millions)	
NAICS Code and Industry	Forgone Revenue
21 – Mining, Extraction	\$240
22 – Utilities	\$527
31 - Manufacturing	\$1,587
42- Wholesale Trade	\$6
51 – Information	\$132
53 – Real Estate	\$6
62 – Health Care	\$1
72- Accommodation	\$3

PILT payments back to school districts, 24-25 (in thousands)	
District	Revenue in Lieu of Taxes
Eunice	\$2,033
Carlsbad	\$1,596
Vaughn	\$1,084
Corona	\$679
Estancia	\$598
Roswell	\$466
Deming	\$454
Jemez Mountain	\$379
Elida	\$287
Gallup-McKinley	\$258
Zuni	\$217
Santa Rosa	\$213
Belen	\$142
Gadsden	\$133
Grants	\$128
Dora	\$122
House	\$122
Springer	\$112
Tatum	\$110
All Other (27 Districts)	\$994

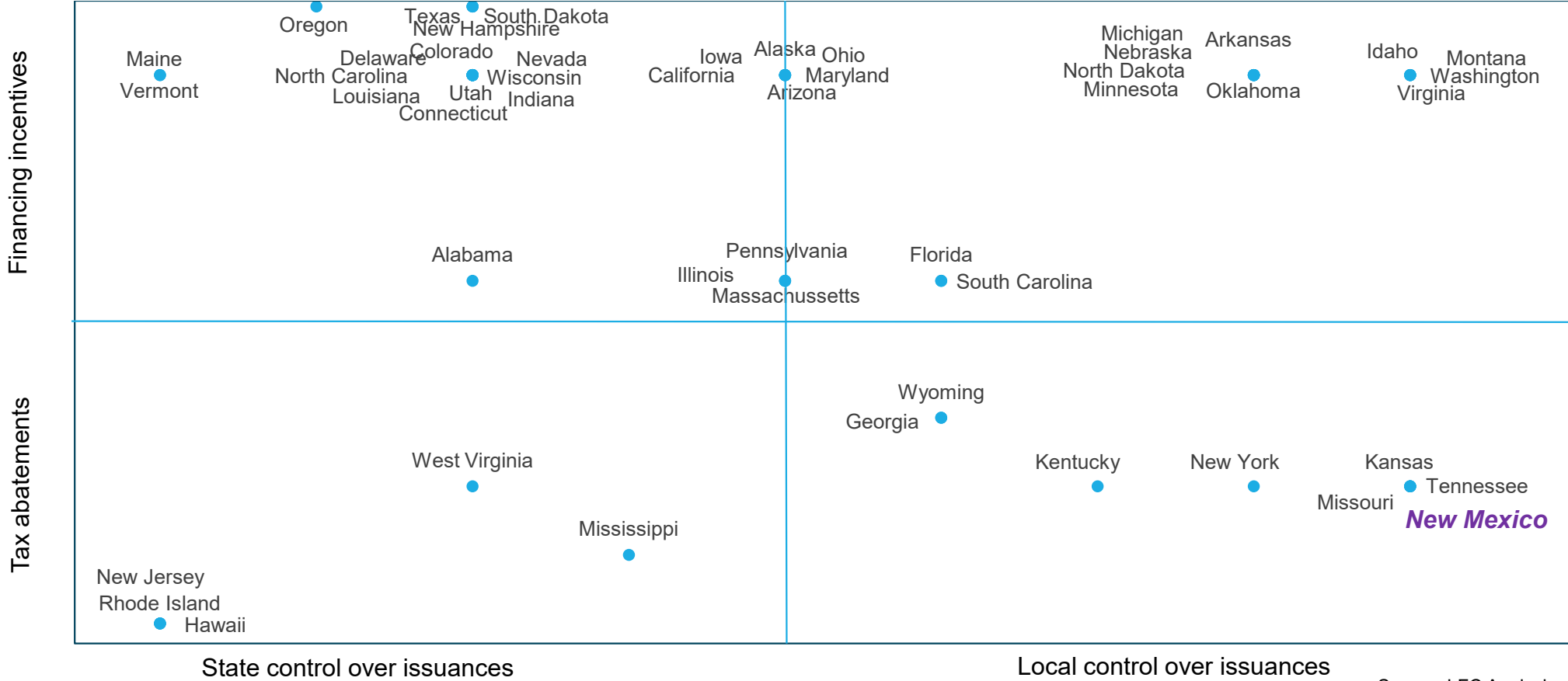
Source: LFC Analysis



Typical Economic Development Incentive vs. IRB



State IRB Policy Spectrum

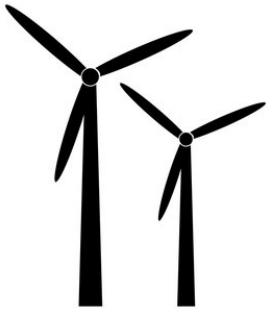


Source: LFC Analysis of State IRB Policies



How Similar Incentives Can be Delivered Through the Tax Code

Wind & Renewables



27 states legislate property tax abatements and replacement payments for wind energy projects (in New Mexico, 2024 legislation mandated PILOTs to schools).

NM has a Wind and Solar Generation GRT Deduction

Per TRD's 2025 *Tax Expenditure Report*, "no data are available to estimate the impact."

Manufacturing Machinery



According to a 2019 Tax Foundation Report: 42 states do not tax the purchase of manufacturing machinery per state statute

Data Centers



According to an NCSL report

- 38 states exempt equipment, computers, or servers, GRT/sales
- 14 states exempt sales tax on energy usage
- 11 states codify property tax abatements at the state level



Sample of Overlap between IRB Funding and Select EDD Incentives (in thousands)

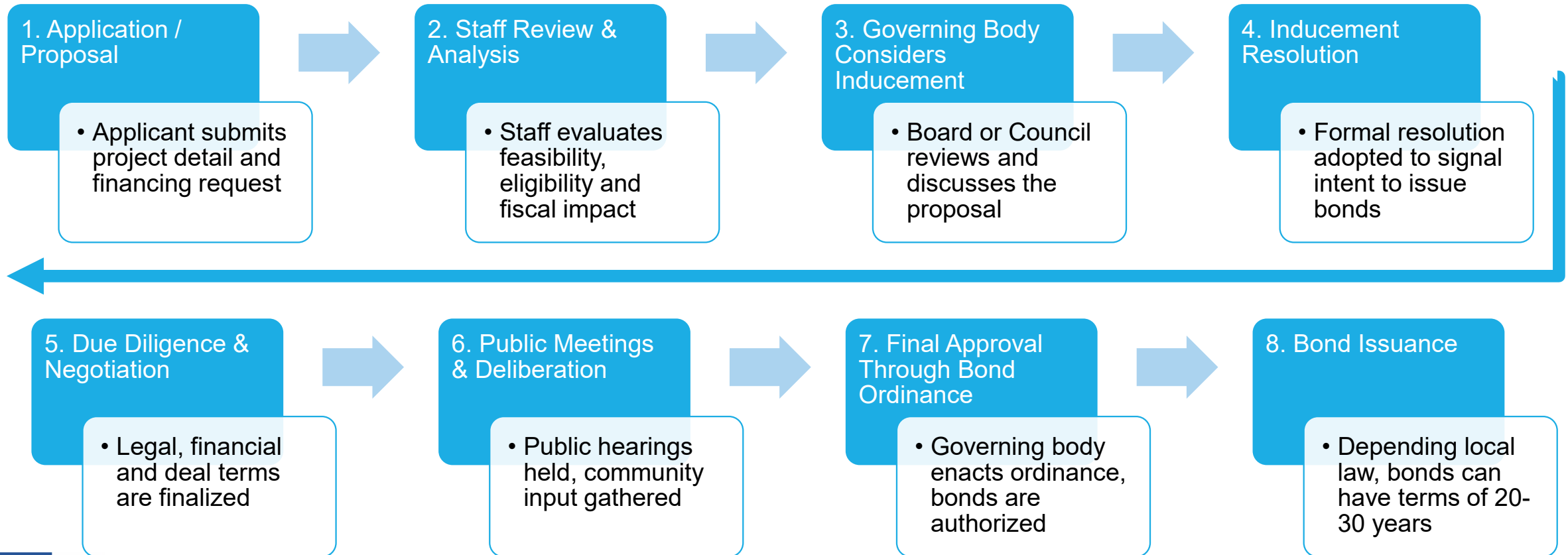
Company	JTIP Budgets	LEDA	IRB
3D Glass	\$2,924	\$2,000	\$55,000
Arcosa Wind	\$2,659	\$4,000	\$65,000
Array	\$32	\$2,500	\$49,500
Blue Halo	\$1,655	\$2,225	\$16,750
Kairos Power	\$9,114	\$3,000	\$125,000
Nature's Toolbox	\$1,214	\$5,000	\$20,000
Vitality Works	\$1,177	\$1,050	\$7,000

Note: JTIP budgets reflect the total of approved, yearly budgets between FY17 and FY25; as a reimbursement, not all funds will have been paid out. LEDA represents LEDA commitment from FY19-FY25.

Source: EDD, County/Muni Ordinances



Typical IRB Approval Process



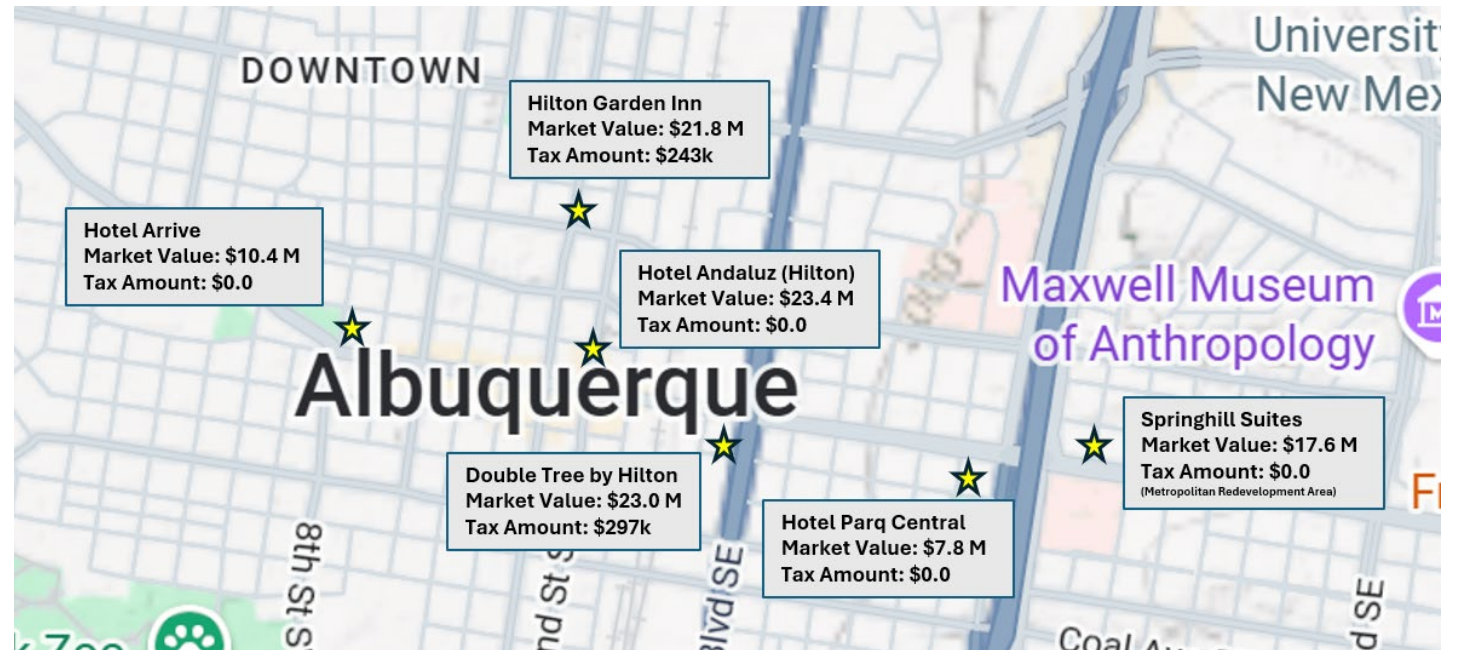
Advantage of IRBs in Retail and Hospitality

Retail Trade: Retail trade is the final step in the supply chain where businesses (retailers) sell goods and services directly to end-users for personal or household consumption.

A Retail Shopping Center Could be Exempt from Property Tax, GRT on Personal Equipment



Annual Property Taxes for Select Downtown Albuquerque Hotels



SpringHill Suites received a Metropolitan Redevelopment Area incentive rather than an IRB but is included to illustrate an additional mechanism through which hotels may receive property tax benefits. Numerous other hotels in the surrounding area—from independent motels to national chains—pay full property taxes.

Source: LFC Analysis of Bernalillo County Assessor Data

Kansas' Application of "But For" Percentages to Eight IRB Projects

Company	Estimated New Jobs After 10 Years	"But For" Percentage	Jobs Due to the IRB
MGP	10	66%	7
Dairy Farmers of America	95	27%	26
Bayer	32	24%	8
Lowen	50	18%	9
AGCO	33	13%	4
General Motors	240	11%	27
Bleak & Veatch	600	5%	28
Tank Connection	102	4%	4

Source: Kansas Legislative Division of Post Audit



Limitations of GASB #77 Reporting

- GASB #77 does not require governments to report all gross tax-abatement revenue losses when forgone revenues are subsequently offset through intergovernmental transfers or other mechanisms.
- GASB #77 allows governments to determine the materiality of tax abatements, meaning smaller programs or revenue losses may not be disclosed.
- GASB #77 does not require governments to disaggregate forgone revenue by affected public service or taxing jurisdiction, such as school districts.
- GASB #77 may limit program-specific disclosure when taxpayer confidentiality applies and does not require aggregate reporting in those cases.

Example 1: no data recorded

the conditions under which abated taxes become eligible for recapture.	Districts
List each specific commitment made by the recipient of the abatement.	Lincoln County -\$152,656.00 & Corona Schools - \$76,328.00
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	This was set up in 2020 through an IRB and Assessor's office has no record of any values used to determine any reductions

Example 2: IRB expenditures fall under materiality threshold, despite substantial investments

Disclosures. The County has established a quantitative threshold of \$50,000 for reporting individually. As of June 30, 2024, the County had two taxable industrial revenue bond (IRB) projects that resulted in an abatement of taxes less than \$50,000. For the nature of the abatement having been under the quantitative threshold and considering the immaterial nature of the abatement, the County did not need to report the abatement within the Notes under the guidelines of the Statement.

Example 3: estimation listing just issuance amount

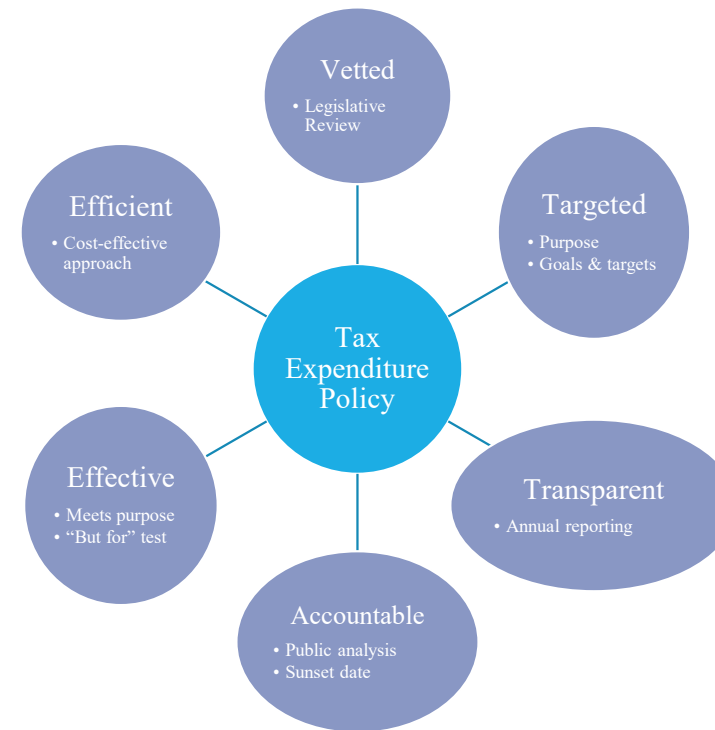
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	Property Tax: \$482,388.51 Gross Receipts Tax: <u>Up to \$600,000,000.00 X County</u> Gross Receipts Rate
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IRB Reporting as Data-Driven Economic Development Policy

The National Conference of State Legislatures emphasizes that data collection through reporting allows for evaluation of tax expenditures that come with incentives such as IRBs, and such evaluations provide opportunities for policymakers to take actions to improve policy

Legislative Finance Committee Tax Expenditure Policy Principals



New Mexico Legislative History on Reporting Requirements for Industrial Revenue Bonds (1996 – 2026)

Year	Bill	Goal	Managing State Agency	Outcome
1997	HB 1327	Establish database to track and measure economic impact of IRBs, including impacts on property tax revenues	Taxation and Revenue	Postponed Indefinitely
1998	SB 111	Impose reporting requirements on municipalities and counties	DFA Local Government Division	Passed by Legislature, Vetoed by Governor
1999	HB 249	Amend NMSA 1978 with municipality and county reporting requirements	DFA Local Government Division	Postponed indefinitely
1999	SB 60	Add new section to Industrial Revenue Bond Act on reporting requirements	DFA Local Government Division	Passed by Legislature, Vetoed by Governor
2004	HJM 96	Request for the Economic Development Department to report on use of county and industrial revenue bonds	Economic Development Department	Postponed indefinitely
2005	SB 438	Requires information submitted to state Board of Finance for allocation for private bond activity, including tax-exempt IRBs	Board of Finance	Signed, part of NMSA 1978 6-20-5.



State Requirements for Industrial Revenue Bond Issuances

Kansas (K.S.A 79-213):

- “The county appraiser... shall file the request for exemption and the recommendations of the county appraiser...with the state board of tax appeals.”

Missouri (§100.050-105 RSMo):

- Municipalities shall approve the plan for the project, including a description of the project, the estimated cost thereof, and the terms of any agreements.
- Municipalities must file an annual report with the department of economic development containing the amount, term, interest rates, date of issuance, size and current number of employees of beneficiary firm and estimated number of new jobs.

Kentucky (KRS 103.210):

- Any industrial buildings financed through a tax-exempt governmental unit requires the prior approval of the Kentucky Economic Development Finance Authority.

Tennessee Code Ann. (§7-53-304):

- Corporations (also known as Industrial Development Boards) shall maintain an aggregate listing of current debt and report to the state funding board.



Potential Benefits of Tracking and Required Reporting of IRBs

Performance Measurement & Program Effectiveness

- *Measure whether IRBs are actually achieving their goals* by tracking jobs created, wages, investment, and other economic outcomes.
- *Enable long-term evaluation through longitudinal data*, allowing policymakers to adjust incentives as economic development priorities change.
- *Help identify underperforming projects and sectors*, allowing the state to reevaluate or discontinue ineffective incentives.

Accountability, Transparency & Oversight

- *Improve accountability by comparing promised benefits with actual results* and identifying projects that fail to deliver.
- *Increase public transparency* regarding tax abatements, forgone revenue, and project performance.
- *Support legislative oversight and audits* by providing consistent data for evaluation and policy review.



Potential Benefits of Tracking and Required Reporting of IRBs

Fiscal Analysis & Return on Investment

- **Allow estimation of net fiscal impact** by measuring both tax expenditures and economic benefits, supporting project-level cost-benefit analysis.
- **Allow comparison with other incentive programs** such as LEDA and JTIP, helping policymakers assess the full package of public support provided to companies.

Strategic Planning & Statewide Policy Coordination

- **Reveal geographic disparities in who benefits from IRBs** and whether incentives align with statewide economic development goals.
- **Facilitate statewide evaluation and policy consistency**, overcoming the current problem of fragmented local reporting and varying standards.
- **Identify high-performing industries and projects**, helping direct future incentives toward activities with the greatest public return.
- **Provide data needed to improve future policy**, consistent with National Conference of State Legislatures guidance on evaluating tax expenditures.





For More Information

- <http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx>
 - Session Publications – Budgets
 - Performance Report Cards
 - Program Evaluations

Drew Weaver and Michael Hess, Program Evaluators
drew.weaver@nmlegis.gov, michael.hess@nmlegis.gov

325 Don Gaspar – Suite 101
Santa Fe, NM 87501
505-986-4550

