

Presented to the
Revenue Stabilization and Tax Policy Committee

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GRT and Comp Tax Deductions

- Receipts from the sale of fuel to a common carrier to be loaded or used in a locomotive engine are deductible from gross receipts (7-9-110.1 NMSA 1978)
- The value of fuel to be loaded or used by a common carrier in a locomotive engine is deductible when computing the compensating tax due (7-9-110.2 NMSA 1978)

Interim Report

- The legislation requires an annual review and the effectiveness of the deduction will be conducted and reported on every six years starting 2019
- EDD and TRD shall estimate the amount of state revenue that is attributable to all railroad activity related to the deduction
- The information included is self-reported
- Shared reporting by EDD and TRD is necessary as each hold some of the required information

Locomotive Fuel Deduction

- Originally enacted in 2011; became effective July 1, 2013, upon certification by EDD that construction had commenced. The intended purpose is to “encourage the construction, renovation, maintenance and operation of railroad locomotive refueling facilities and other railroad capital investments in New Mexico.”
- A common carrier must be mindful of two key dates to be eligible for the deductions:
 - Make a capital investment of \$100 million or more in new construction or renovation at the railroad locomotive refueling facility where the fuel is loaded or used after July 1, 2011, or
 - Make a capital investment of \$50 million or more in new railroad infrastructure improvements, including railroad facilities, track signals and supporting railroad network, located in New Mexico on or after July 1, 2012
 - New railroad infrastructure improvements cannot be required by a regulatory agency to correct problems, such as regular maintenance specifically identified by that agency as requiring necessary corrective action

Qualifying Criteria

EDD is required to:

- Certify a taxpayer's eligibility for the deductions
- Promulgate rules for issuance of the certificate of eligibility
- Track the jobs created by the deductions

TRD is required to:

- Issue Non-Taxable Transaction Certificate (Type 2)

FY 2019 GRT and Compensating Tax Relief by Company

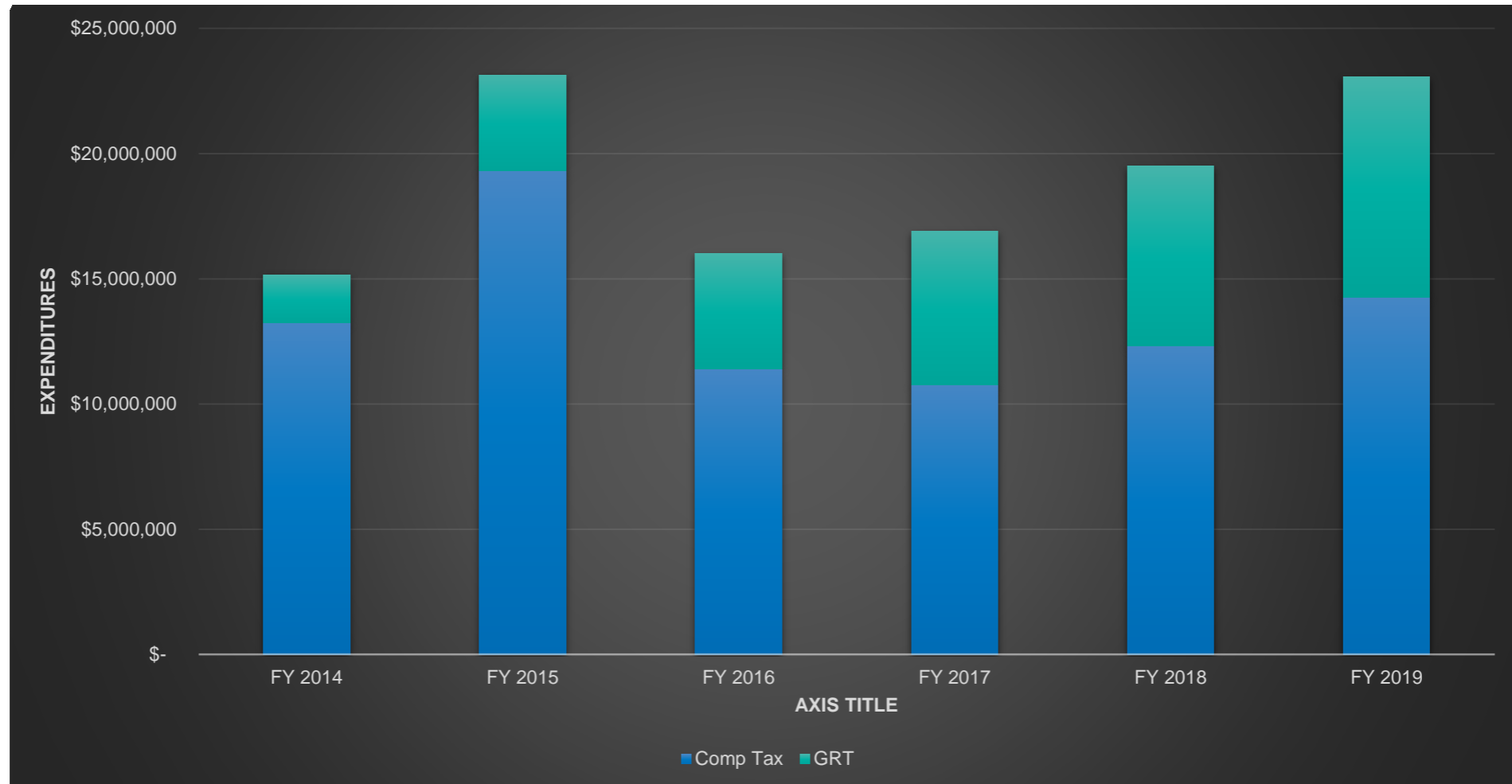
BNSF Railway

- \$2.8 million in Compensating Tax relief
- \$8.8 million in GRT relief

Union Pacific (UP)

- \$11.5 million in Compensating Tax relief
- \$0 in GRT relief

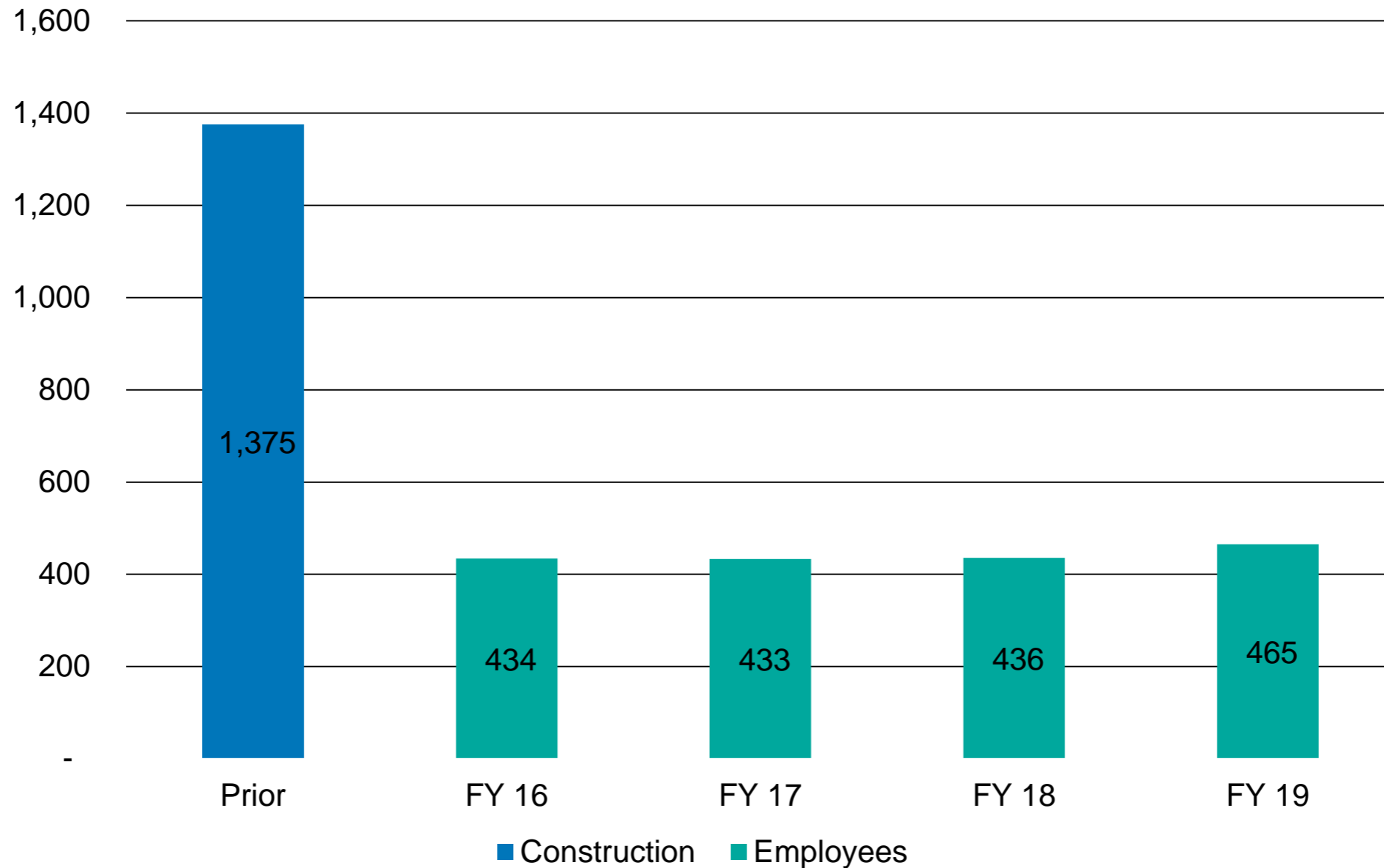
FY14 to FY19 GRT and Compensating Tax Relief as Reported on Fuel Purchases Only



Union Pacific

- UP has invested over \$400M
- Recently announced \$20M expansion
- Currently employs 465 FTE at the Santa Teresa facility
- Average salary reported to be \$96,750

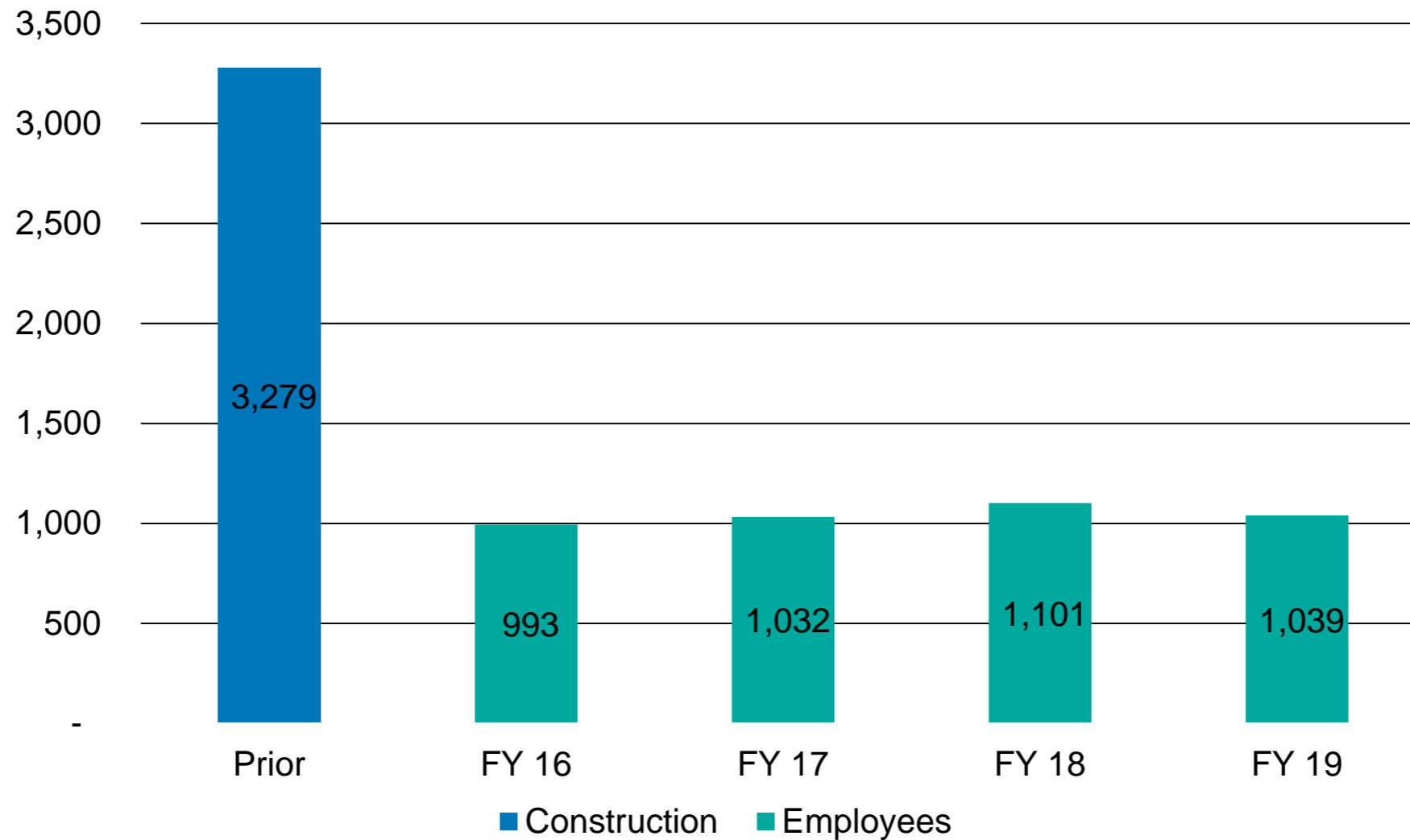
Union Pacific Jobs



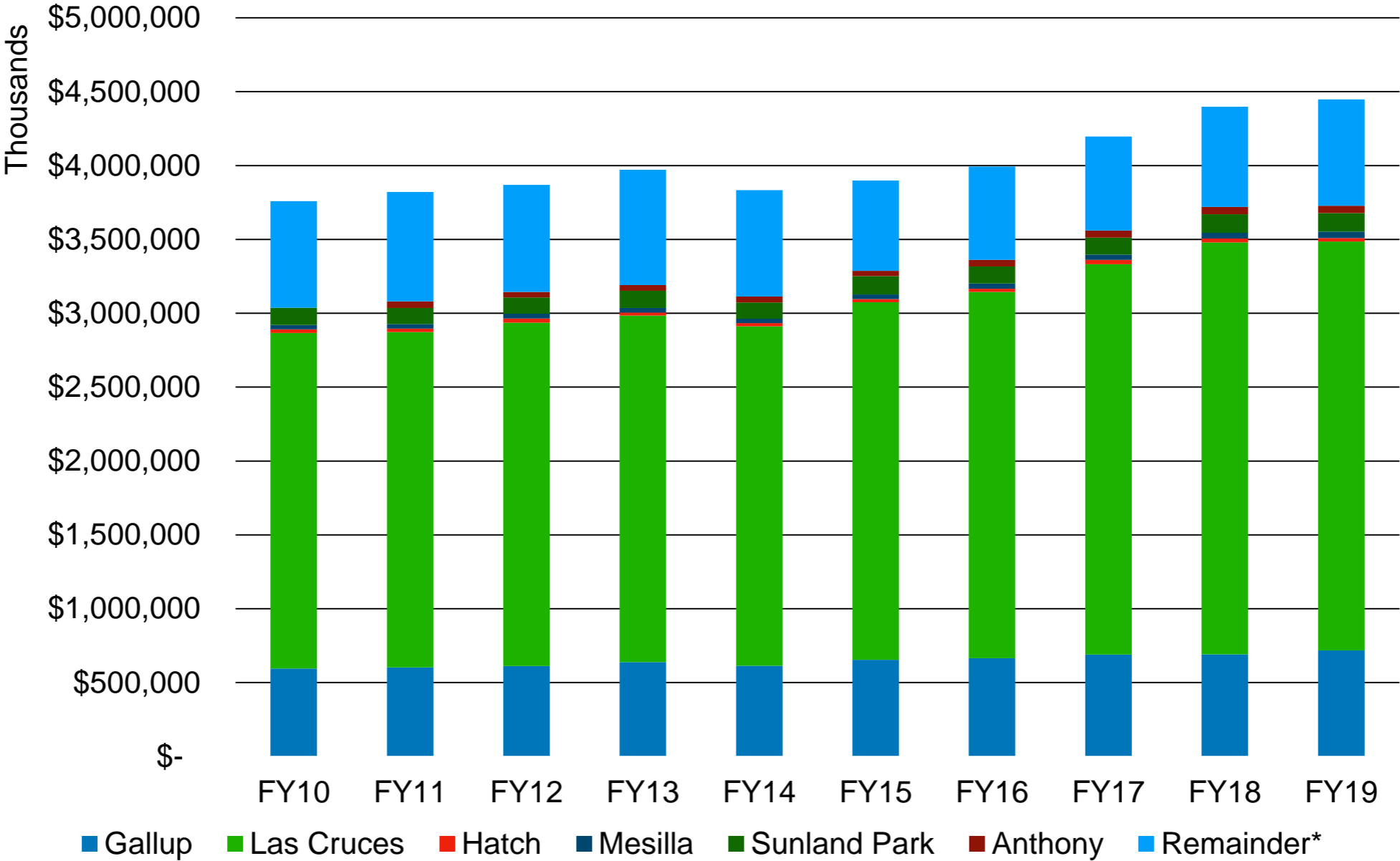
BNSF

- BNSF has invested roughly \$545M
- Announced an \$80M capital expenditure program in 2018
- Currently employs 1,024 FTE statewide
- Average salary reported to be roughly \$87,000

BNSF Jobs



TGR by Fiscal Year



*Remainder is a proxy for Santa Teresa Activity

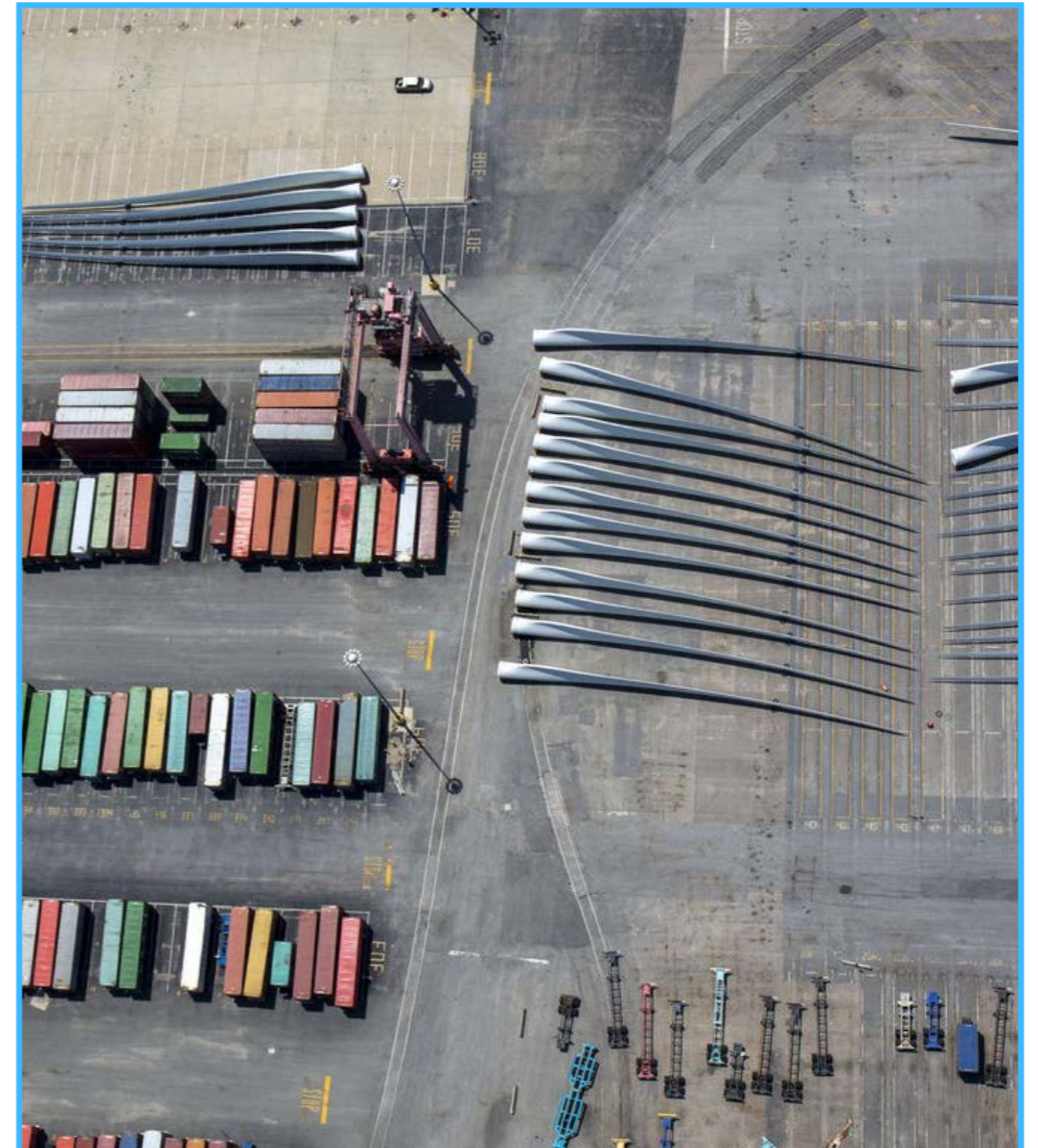
Revenue Impact to State

- Through FY19 New Mexico has foregone revenue of \$100.4 million through the deduction in Compensating and Gross Receipts Tax
- The state has generated revenue through the Corporate Income, Gross Receipts, Compensating, and Withholding taxes of an estimated \$120.9 million as a result of the deduction
- The overall revenue from direct expenditures generated by the benefiting companies is estimated to be \$20.5 million

Santa Teresa Companies

Located Since UP Announcement in 2011

| COMPANY NAME | FTE # | COMPANY NAME | FTE # |
|--------------------------------|-------|-------------------------|-------|
| TE Connectivity, Ltd. | 85 | Stagecoach Cartage | 9 |
| Interceramic | 30 | Santa Fe Aero Services | 20 |
| Ironhorse Industries | 12 | CN Wire | 300 |
| Bizlink | 70 | Thrush LLC | 5 |
| Ferza | 30 | Valley Cold Storage | 47 |
| J.H. Rose | 20 | Federal Express Ground | 200 |
| Southwest Steel Coil | 20 | W. Silver Rail Spur | 4 |
| Santa Teresa Southern Railroad | 80 | TPI (wind blades) | 20 |
| W. Silver Recycling | 24 | Master Immediate Supply | 5 |
| Twin Cities | 65 | Gamesa | 25 |
| ERO Resources | 50 | R. L. Jones | 20 |
| Transmaritime | 15 | Admiral Cable | 340 |



Thank You!

- EDD Website:
 - <https://gonm.biz>
- TRD Website:
 - <http://tax.newmexico.gov>