

# FY 2017 Locomotive Fuel Deductions Report

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, beginning in 2019, the effectiveness of the deduction will be conducted and reported on every six years
- The report is based on criteria specified in the legislation and by the adopted rules
- 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- Originally enacted in 2011; became effective July 1, 2013, upon certification by EDD that construction had commenced.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

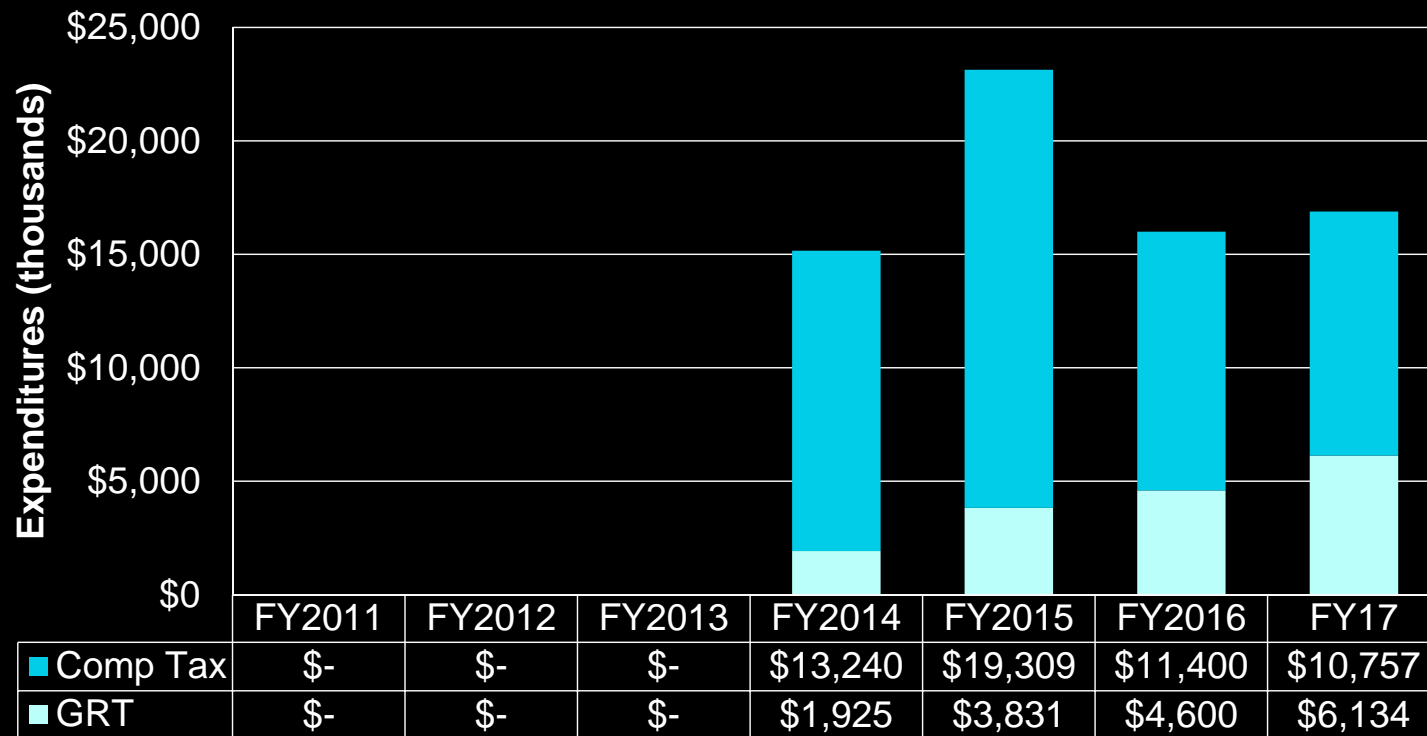
EDD is required to:

- 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 2017 GRT and Compensating Tax Relief as Reported on Fuel Purchases Only



# FY 2017 GRT and Compensating Tax Relief as Reported on Fuel Purchases Only (Cont.)

## BNSF Railway

- \$2.9 million in Compensating Tax relief
- \$6.1 million in GRT relief

## Union Pacific (UP)

- \$7.9 million in Compensating Tax relief
- \$0 in GRT relief

# Union Pacific Reports

- 2,200 acre site located in Santa Teresa

To date, UP has invested \$400 million in the facility (construction occurred between June 2011 and December 2014) and \$152.6 million in its rail infrastructure in New Mexico. This is the largest investment in Santa Teresa.

- UP had \$1.3 million in in-state purchases
- 1,375 Construction jobs during the construction of the facility
- 433 Permanent jobs at an average salary of \$93,000
  - 303 UP employees & 130 Contractors
  - 32 Employees are current residents (up by 6 from the previous year)



# Union Pacific Reports cont.

In FY 2017:

- 92,993 rail cars originated and terminated in New Mexico
- Provided support to charitable organizations by donating more than \$118,000

# Santa Teresa 2015





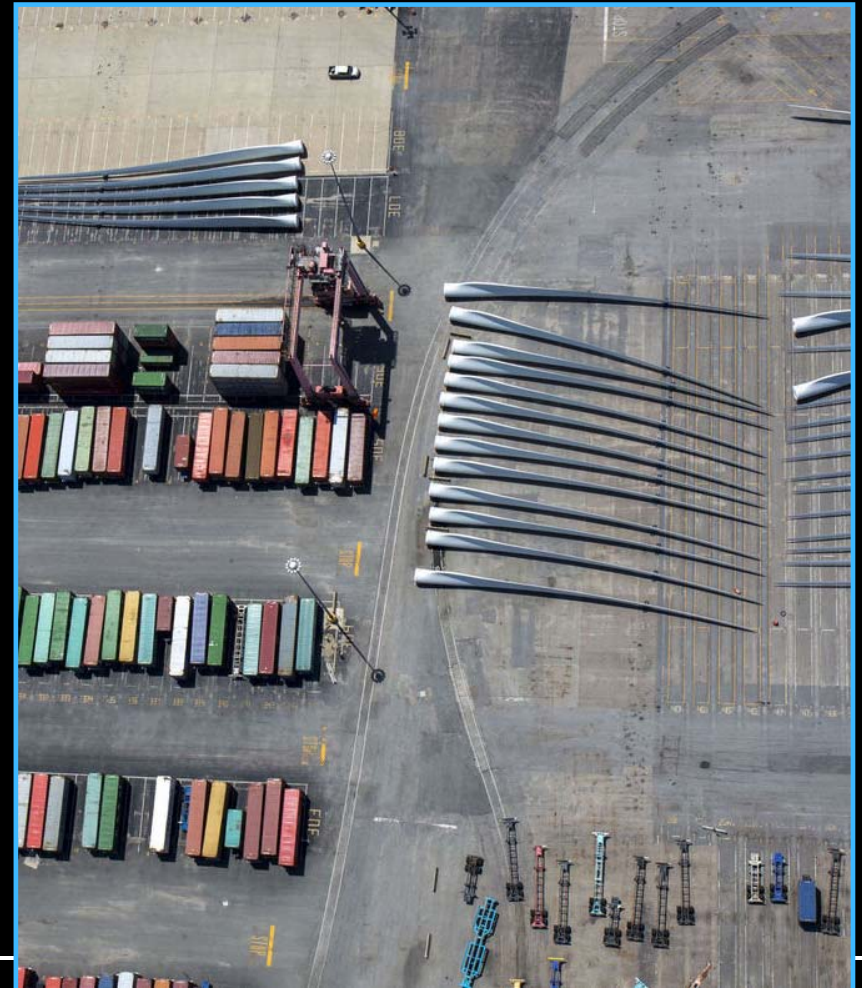
# Santa Teresa 2017





# 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		



# Growth in Santa Teresa

- 719,000 sq. ft. of industrial space
- Increase of \$5 million in compensation\*

Wages and Salaries: Transportation & Warehousing Industry Sector – Dona Ana County (in thousands)



\*Data Source: Bureau of Economic Analysis

# Union Pacific Estimated PIT Revenue

## Permanent Jobs

UP reported 0% growth for FY 2017

- 433 Permanent jobs reported
  - 75 Jobs are subject to New Mexico withholding tax
- Average annual wage of \$93,000
  - At \$93,000, the 75 workers would have resulted in \$7 million in salaries per year
  - This results in \$209,000 in estimated PIT revenue\*

\*Assuming an average PIT rate of 3%

# BNSF Railway Reports

In FY 2017:

- New Mexico operating revenue of \$1.4 billion\*
- An increase in 39 jobs statewide
- One of the largest private sector employers in Clovis, Belen and Gallup
- \$86 million in fuel purchases from vendors operating in New Mexico. This translates to approximately \$6.1 million in GRT deduction\*\*

\*Decrease in Net Operating Revenue

\*\*Average statewide GRT of 7.1084%

# BNSF Railway

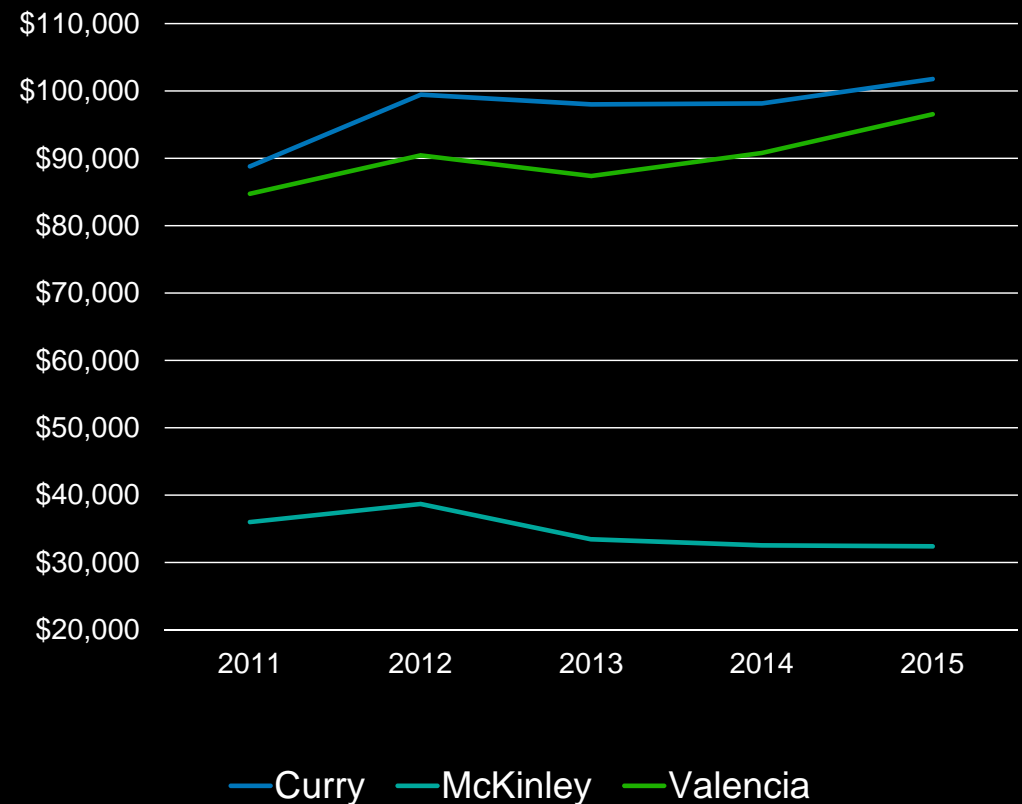




# Industry Sector Wages & Salaries in BNSF Communities 2011-2015

- Curry County (Clovis) has seen an increase of \$13 million
- McKinley County (Gallup) has seen a decrease of \$4 million
- Valencia County (Belen) has seen an increase of \$12 million

Wages and Salaries: Transportation & Warehousing Industry Sector (in thousands)



\*Data Source: Bureau of Economic Analysis

# BNSF Railway Estimated PIT Revenue

## Permanent Jobs

- 1,032 Permanent Jobs Reported
- Average annual wage of \$87,000
- 1,032 workers would have resulted in \$89.7 million in salaries per year
- This results in about \$2.6 million in estimated PIT revenue\*\*

\*\*Assuming an average PIT rate of 3%

# Thank You!

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