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Tax Expenditure Assessment

Analysis of key state tax credits, exemptions, and deductions by the Legislative Finance Committee

High-Wage Jobs Tax Credit

Background

Brief Description. The high-wage jobs tax credit is an incentive for businesses to create and fill new high-wage jobs in New Mexico by providing a refundable tax credit equal to 8.5 percent of the wages of a new job up to \$12,750.

Created: 2004 and amended in 2007, 2008, 2013, 2016, 2019, 2021, and 2025.

Expires: July 1, 2026

Impact Analysis Summary

In FY24, businesses received a total of \$11.2 million in state support through the credit. Over the last ten years, businesses received an average of \$9.1 million in state support through the credit each year. The credit is estimated to increase statewide employment by 135 jobs per year on average because of lower business costs that encourage job creation. The average cost per job is \$83 thousand. The credit is estimated to increase state personal income by \$18.5 million because of higher wage earnings, increased business profits, and increased property income. The estimated annual impact in state GDP attributable to the program is \$14.6 million. The economic return on investment (ROI) is estimated to be 47 percent, meaning for every \$1 spent on the credit, the New Mexico economy grows by 47 cents. The estimated annual return in revenue is -83 percent, meaning that for every \$1 spent, the state foregoes 83 cents and recaptures 17 cents in state tax revenue.

Economic Impact Analysis Summary

FY24 Expenditure

\$11.2 M

FY24 Claims

89

Economic ROI

47%

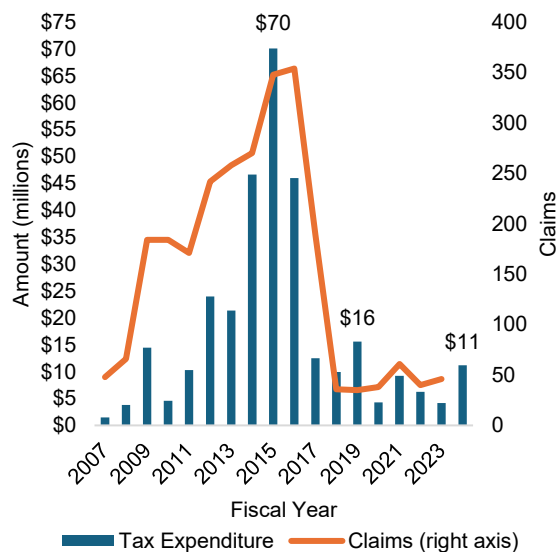
Return in Revenue

-83%

For every \$1 spent, the state economy grows by 47 cents.

For every \$1 spent, the state foregoes 83 cents and recaptures 17 cents in state tax revenue.

Tax Expenditures and Claims of High-Wage Jobs Tax Credit



Source: TRD

THIS REPORT summarizes key fiscal and economic impact information of state tax expenditures. These brief summaries are prepared on an ongoing basis for policymakers to identify—and request further study of—larger policy issues. The primary sources of information are the New Mexico Tax Expenditure Reports from 2012-2024, accessible on the Taxation and Revenue Department's [website](#), and other state and national economic data. Detailed methodology of this report can be found at the LFC Revenue, Economic Reports, and Tax Policy [website](#).

Credit Overview and Legislative History. The high-wage jobs tax credit, provides a refundable tax credit to businesses eligible for the Job Training Incentive Program equal to 8.5 percent of wages up to \$12,750 for a newly enacted high-wage job, defined as a job with wages of over \$60 thousand in urban communities (population over 60 thousand people), and \$40 thousand in rural communities, that are filled for 44 consecutive weeks. An employer may apply for the tax credit against tax liability from income or sales taxes.

The credit has been amended or extended six times since it was first enacted in 2004. Lawmakers made a technical change in 2007 and extended the credit in 2008. In 2013, lawmakers increased claim amounts by changing the wage qualification from \$28 thousand to \$40 thousand for rural employers and \$40 thousand to \$60 thousand for urban employees and increased the population threshold distinguishing rural from urban. Notably, the number of claims continued to rise steadily after this amendment. In 2016, lawmakers required annual filing and removed employee benefits from the calculation of wages. After these changes, claims and reimbursements went down. The most recent, significant statutory changes included lowering the reimbursement rate from 10 percent to 8.5 percent, increasing the maximum eligible benefit from \$12,000 to \$12,750 thousand, and reducing the job threshold from 48 to 44 consecutive weeks. Lawmakers made a minor adjustment to the definition of “threshold job” in the 2025 legislative session.

Usage Trends. From FY22 to FY24, an average of 58 claims were made per year for an average total tax expenditure of \$7.2 million annually. Expenditures and claims have been relatively steady at these levels since FY18; before this, both claims and expenditures were much higher, with a peak at 348 claims and \$70 million in FY15.

Design Analysis. The credit has a sunset date of July 1, 2026, but it does not have an expenditure cap. While targeting rural areas may help distressed areas, the credit could be more effective by differentiating based on need, demographics, or economic activity. The credit targets export-based industries.

Meets Purpose. The credit likely meets its purpose of “providing an incentive” for businesses to create and fill new high-wage jobs because usage and job creation has remained steady.

Summary

FY24 Tax Expenditure	\$11.2M
FY24 Number of Claims	89
Jobs Created	135
Economic ROI	47%
Return in Revenue	-83%
Usage Trends	
1-Year Change	+170%
3-Year Average Change	-26%
Meets Purpose	●
Design	
Has expiration date	●
Has expenditure cap	○
Targets distressed areas	◐
Targets export-based industry	●
Data Availability Are requirements being met?	●
Data Reliability Is data reported separately?	●
Key ● Yes ◐ Partial ○ No Note: The above findings are based on New Mexico Tax Expenditure Reports from 2012-2024, accessible on the Taxation and Revenue Department's website , and other state and national economic data. Estimates on annual increase in baseline statewide employment, state GDP, and state revenues were calculated using a New Mexico-specific economic impact model using state and national employment, expenditure, and revenue information. Additional methodology details can be found at the LFC Revenue, Economic Reports, and Tax Policy website .	

Future research opportunities for this tax credit include:

- Comparing the economic impacts to other tax expenditures and forms of spending
- Comparing this credit to similar credits in other states
- Understanding how this credit impacts different regions of New Mexico