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Tax Expenditure Assessment

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

Rural Job Tax Credit

Background

Brief Description. The rural job tax credit provides an incentive to businesses opening or expanding in rural areas equal to either 12.5 percent or 25 percent of up to \$16 thousand in wages per qualifying job, depending on where the job is performed or based.

Created: 2007 and amended in 2013, and 2021

Expires: No expiration date.

Impact Analysis Summary

In FY24, businesses received \$637 thousand in state support through the credit. Over the last ten years, businesses received an average of \$1.2 million in state support through the credit each year. The credit is estimated to increase statewide employment by 20 jobs per year on average because of lower business costs that encourage job creation. The average cost per job is \$30 thousand. The credit is estimated to increase state personal income by \$1.1 million, on average, because of higher wage earnings, increased business profits, and increased property income. The estimated net annual impact in state GDP attributable to the program is \$1.9 million. The economic return on investment (ROI) is estimated to be 35 percent, meaning for every \$1 spent on the credit, the New Mexico economy grows by 35 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 of state tax revenue.

Economic Impact Analysis Summary

FY24 Expenditure

\$0.6 M

FY24 Claims

45

Economic ROI

35%

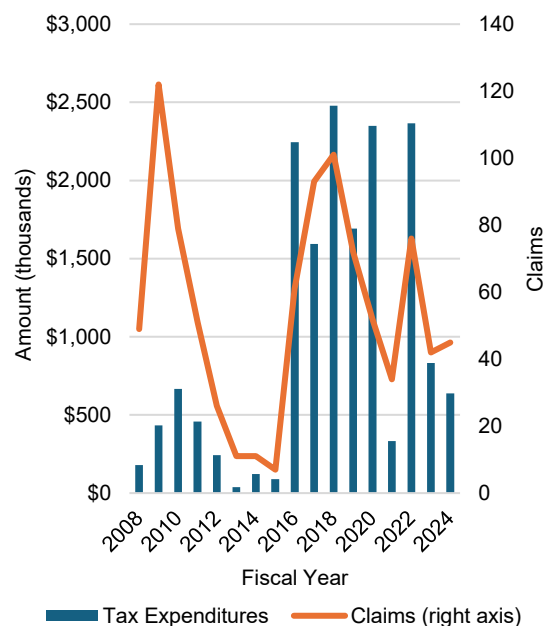
Return in Revenue

-83%

For every \$1 spent, the state economy grows by 35 cents.

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

Tax Expenditures and Claims of Rural Job Tax Credit



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 rural job tax credit was first enacted in 2007 to encourage business expansion in rural areas of the state. It provides a tax credit to businesses eligible for the Job Training Incentive Program equal to either 12.5 percent or 25 percent of up to \$16,000 in wages per qualifying job, depending on the area's population. Employers in Tier 1 areas (population under 15 thousand) receive the full 25 percent, while those in Tier 2 areas (population between 15 thousand and 30 thousand) receive 12.5 percent. The credit is disbursed incrementally, as 6.25 percent of the wages per year for up to four years for jobs in Tier 1 areas and two years for jobs in Tier 2 areas.

The credit has been amended three times. The original statute was enacted in 2000 but sunset in 2006. In 2007, the sunset provision was removed. In 2013, the credit was amended to restrict the definition of qualifying jobs to exclude jobs created due to business mergers or acquisitions. The Legislature also added a purpose statement to the credit. In 2021, the credit was amended to add certification requirements for employers, add application time limits, define “new job,” and revise the definition of “qualifying job.” Additionally, the 2021 amendment expanded the scope from starting new businesses to incorporate “expand[ing] existing businesses” into the purpose.

Usage Trends. From FY22 to FY24, an average of 54 claims were made per year for an average annual tax expenditure of \$1.2 million. Expenditures and claims are both down from historical levels. While FY21 had fewer claims and less expenditures, between FY18 and FY20 the state spent \$2.2 million on average with an average of 75 claims per year. Since 2000, the effective value of the credit has decreased by 45 percent because of inflation.

Design Analysis. The credit does not have an expenditure cap or an expiration date. While targeting rural jobs 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, and agencies are meeting statutory reporting requirements.

Meets Purpose. The credit partially satisfies its purpose to encourage businesses to start new or expand existing businesses in rural areas of the state. While it has historically offered a significant benefit to rural areas, claims and expenditures have declined sharply recently, indicating the credit may not be continuing to achieve its purpose.

Summary

FY24 Tax Expenditure	\$0.6M
FY24 Number of Claims	45
Jobs Created	20
Economic ROI	35%
Return in Revenue	-83%
Usage Trends	
<i>1-Year Change</i>	-23%
<i>3-Year Average Change</i>	-41%
Meets Purpose	①
Design Elements	
<i>Has expiration date</i>	○
<i>Has expenditure cap</i>	○
<i>Targets distressed areas</i>	①
<i>Targets export-based industry</i>	●
Data Availability <i>Are requirements being met?</i>	●
Data Reliability <i>Is data reported separately?</i>	●
Key ● Yes ① Partial ○ No Note: Criteria based on LFC tax policy principles or other design, purpose, or statutory measures. Data are from 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
- Understanding how this credit impacts different regions of New Mexico
- Understanding the changes in claims and expenditures over time.

