



Revenue Stabilization & Tax Policy Committee

June 18, 2012



- **Introduction**
- **Importance of the High Wage Jobs Tax Credit**
- **Success of the Credit**
- **Outstanding Issues**
- **Avoid a Cap**



Importance of the Credit

- The credit was passed in 2004 (SB 28 – Senator Roman Maes).
- The credit was extended in 2008 (SB 174 – Senator Bernadette Sanchez) requiring that the employees must be hired prior to July 1, 2015.
- Critical tool that supports existing companies as they expand their employee base of high-wage jobs.
- Considered one of New Mexico’s premier incentives for recruiting new economic-base businesses.
- This is a “post-performance” tax credit.
- According to recent Ernst & Young study, of the State’s existing incentives, the High Wage Jobs Tax Credit has the most significant impact on reducing New Mexico’s effective tax rate.



Success of the Credit

- **Recent**
 - **Bendix / King – 140 new jobs**
 - **Lowe's – 600 new jobs**
- **Existing companies with recent expansions**
 - **Tempur-Pedic – 100 additional jobs**
 - **General Mills – 60 additional jobs**
- **Previous announcements and current headcount**
 - **HP – 1,000+ employees**
 - **Fidelity – 450 employees**
 - **SCHOTT Solar – 325 employees**
 - **ReelzChannel – 100 employees**



AED's Existing Business & Retention

- In the last 11 years, AED's team has met with over 1,000 existing companies.
- Several of those companies have been able to add new high-wage positions and utilize this credit. The following is just a sampling:
 - IntelliCyt
 - ClosedWon
 - Sun Country



“Clean-up” Items

- The current statute needs to be “cleaned-up” to address some of the following items:
 - Define wage
 - Increase the eligible wage rate for urban areas
 - Clarify definition of “eligible employer”
 - Limit the amount of time a company can apply for approval of the credit
 - Extend the current sunset



Define Wage

Wages

- The existing statute states “wages” are defined as in Paragraphs (1), (2) and (3) of 26. U.S.C. Section 51(c).
- Why a problem?
- It points to the “net taxable” wage.
- New proposed definition clearly states that “wages” does not include benefits.



Current Eligible Wage Rate

- Urban is currently defined as Albuquerque, Las Cruces, Rio Rancho, Farmington, Roswell or Santa Fe.
- \$40,000 was the qualifying wage in an urban area when the legislation was originally passed back in 2004.
- The qualifying “wage” for urban areas should be adjusted to reflect market rates.
- \$48,000 for urban communities is being proposed.
- Include Los Alamos County as urban.
- Increase the rural community population base up to 60,000.



Clarify definition of “eligible employer”

- As currently written, risk that “non” economic-base companies may qualify for the credit.
- To ensure only “economic-base” businesses qualify, tie eligibility directly to development training program assistance pursuant to Section 21-19-7 MSA 1978 (JTIP)



Limit the time

- Companies currently can claim the credit against high-wage jobs that were created as of July 1, 2004.
- We recommend limiting the time to “within one year following the end of the calendar year in which the qualifying period closes”.



Extend the current sunset

- Companies must fill the high-wage position by July 1, 2015.
- Extend the hire date to July 1, 2020.



Please Avoid a Cap

- **Placing a cap on the credit will have the following impact:**
 - **Creates uncertainty around the availability of the credit.**
 - **Cause companies to discount or simply not place a value on the credit when running a cost comparison across multiple cities and states.**





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