

NEW MEXICO BUSINESS INCENTIVES

47 State-Sponsored Business Incentives

January 2003 Update

New Mexico Economic Development Department

Rick Homans, Cabinet Secretary

1100 St. Francis Drive

Santa Fe, NM

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■ *Funding Resource for Business*

Business Bonds

- Provider New Mexico State Investment Council
- Business Need Finance (Also referred to as the “3-B Program.”)
- Description The State of New Mexico may invest up to \$20 million in bonds, notes or debentures rated Baa or BBB or better of any corporation organized and operating within the U.S., excluding regulated public utility corporations.
- Objective To establish or expand business outlets or ventures in NM.
- Eligible Uses The proceeds are used to finance plant and equipment.
- Rates, Terms Investment can’t exceed 100% of the total project cost or \$20 million, whichever is less; maturities can’t exceed 20 years. The rate of interest to be paid on the bonds shall not be less than the equivalent yield available on U.S. treasury issues of a comparable maturity plus 100 basis points and depends on the financial condition of the borrower and the nature of the investment.
- Other Conditions Ratings are established by a national rating service. The State Investment Council may establish terms for debt retirement affecting both principal and interest to meet the needs of the borrower, and must approve the indebtedness prior to purchase.
- Contact Greg Kulka, Alternative Investments Portfolio Manager
- Agency New Mexico State Investment Council
- Address 2055 S. Pacheco Street, Suite 100
Santa Fe, NM 87505
- Phone (505) 424-2550
- Fax (505) 424-2465
- Citation §7-27-5.4(B)

■ ***Funding Resource for Business***

Film Investment Program

- Provider NM State Investment Office and The New Mexico Film Office
- Business Need Financial incentive (equity investment or guaranteed debt investment) for filmmakers to choose New Mexico for production.
- Description Up to \$7,500,000 can be invested in a NM film private equity fund or NM film project. An equity investment can be up to two-thirds of estimated total production costs; a guaranteed debt investment can be up to 100% of estimated total production costs.
- Objective Encourage a healthy film production industry that will contribute to NM's economic growth
- Eligible Uses Only NM film projects or NM film private equity funds that invest in film projects that:
 - are filmed wholly or substantially in New Mexico
 - have shown to the satisfaction of the New Mexico film division that a distribution contract is in place with a reputable distribution company
 - have agreed that, while filming in New Mexico, a majority of the production crew will be New Mexico residents
 - have posted a completion bond that has been approved by the New Mexico film division; provided that a completion bond shall not be required if the fund or project is guaranteed as follows: have obtained a full, unconditional and irrevocable guarantee of repayment of the invested amount in favor of the severance tax permanent fund from an entity that has a credit rating of not less than Baa or BBB by a national rating agency; or from a substantial subsidiary of an entity that has a credit rating of not less than Baa or BBB, or providing a full, unconditional and irrevocable letter of credit from a United States incorporated bank with a credit rating of not less than A or from a substantial and solvent entity as determined by the State Investment Council.
- Rates, Terms Equity participation negotiated in each project, amount depending on the risks incurred by the State Investment Council. In case of a guaranteed debt investment, the equity participation will be in lieu of interest, have a recoupment schedule, and final maturity of 2-4 years depending on project type.
- Contact (1) Director, NM Film Office
P. O. Box 20003, Santa Fe, NM 87504-5003
- Located 1100 St. Francis Drive, Santa Fe, NM
- Phone/Fax (Ph) 505-827-0908; (Fax) 505-827-0331
- Web/Email www.nmfilm.com; film@nmfilm.com
- Contact (2) Greg Kulka, Greg.Kulka@state.nm.us, State Investment Council
- Phone/Fax (Ph) 505-424-2500; (Fax) 505-424-2510

■ ***Funding Resource for Business***

Industrial Development Training Program

- Provider NM Economic Development. Department
- Business Need Workforce development grant
- Description New Mexico has one of the most aggressive training incentive packages in the country. The Industrial Development Training Program provides classroom and on-the-job training, is not restricted to the economically disadvantaged, and pays up to 50% metro or 65% rural of employee training costs and wages for an expanding or relocating business for up to six months.
- Objective Classroom/on-the-job training to prepare NM residents for jobs.
- Eligible Uses Customized training is conducted at the business facility or at an educational institution in one of three ways: (1) Classroom at public educational institutions; (2) Training at the business facility, with hands-on skill development, customized to develop unique skills essential to the business; and, (3) On-the-job and/or classroom training.
- Rates, Terms Trainee wages are reimbursed to the company at 50% during hours of training, not to exceed 1,040 hours per trainee nor 40 hours per week. Trainer costs, excluding business employees, are reimbursed to the business at 50% of the travel and per diem. Instructional cost of classroom training is reimbursed to the educational institution at 100% outlined in the training contract. Costs include instructional salaries, fringe benefits, supplies and materials, textbooks, expendable tools and other necessary and reasonable costs associated with conducting training.
- Location Target Rural wages are reimbursed at a higher rate (60%), as are economically distressed areas (Cibola, Mora, Guadalupe, Rio Arriba, Luna, San Miguel, McKinley and Taos Counties) at 65%.
- Industry Targets New or expanding businesses that manufacture or produce a product in New Mexico are eligible. Under some circumstances, assistance may be provided to non-retail service sector businesses, determined by the extent the service will be exported to other states or will reduce the need for importing a service to NM.
- Other Conditions Trainees must be granted full-time employment upon successful completion of training; be of legal working status; have resided in NM for at least 1 year; shall not have terminated a public high school program within the past three months except by graduation; and must be eligible under the Fair Labor Standards Act.
- Contact Theresa Varela
- Office NM Economic Dev. Dept., Industrial Dev. Training Program
- Address 1100 St. Francis Drive, Santa Fe, NM 87504
- Phone 505-827-0323
- Fax 505-827-0407
- Cite §§21-19-7 NMSA 1978

Funding Resource for Business

Industrial Revenue Bonds

- Provider Industrial Revenue Bond Act
County Industrial Revenue Bond Act
- Business Need Finance
- Description Industrial revenue bonds (IRBs) are issued by a municipality or county to finance privately-operated development projects. The private party initiates the process by requesting that the government unit issue the bonds (a political process done in accordance with local and state laws). IRBs offer property and gross receipts tax relief to a company. The project financed is actually owned by the governmental issuer of the IRBs and leased to the private operator under a finance lease (which allows the private operator to take the depreciation on the project for tax purposes in addition to a deduction for interest paid on the IRBs). Tangible personal property (other than building materials and related construction services) purchased with IRB proceeds is deductible for gross receipts tax purposes because it is being sold to a government purchaser. IRBs of \$10 million or less issued to finance manufacturing facilities may also be eligible for exclusion of interest from gross income for federal income tax purposes (effectively lowering the interest rate on the IRBs). Note: IRBs are called IDBs in other jurisdictions.
- Objective To enable companies to purchase land, buildings, equipment, and machinery
- Eligible Uses New Mexico municipalities and counties are authorized to issue IRBs to stimulate the expansion and relocation of commercial and industrial projects in the state. Receipts from sales of tangible personal property other than construction materials to a government are deductible from gross receipts. This can be a substantial benefit for some projects.
- Rates, Terms The issuance of taxable IRBs generally takes eight weeks. IRBs involving a credit enhancer or third party lender will extend the time frame several weeks. Tax-exempt IRBs require an allocation of the state's cap from the NM State Board of Finance on a first-come basis and subject to availability, extending the time frame to approximately three months. IRB financing for land, buildings and equipment is available for: headquarter office buildings, warehouses, manufacturing facilities, service-oriented facilities not primarily engaged in the sale of goods and commodities at retail, health care facilities, warehouse and distribution facilities, irrigation systems, and office buildings in certain instances. Facilities primarily for the sale of goods at retail within the boundaries of a municipality are not eligible. The requesting party signs an instrument agreeing to lease the property being developed

for at least the term of the bonds. The rental payments will cover the cost of the debt service. That party also agrees to act as the government's agent in developing the project. So technically, the property is developed and owned by the issuing government even though the private party has direct control over and use of the property. The government retains ownership until the bonds are paid off, when the project is sold to the requesting party for a nominal purchase price.

- Location Target Statewide
- Other Conditions The bonds do not constitute an indebtedness of the local government and the requesting party must arrange its own financing. The term of the bonds is limited to 30 years (shorter by local rule in some municipalities). Maximum program benefits: IRB financed projects are exempt from ad valorem tax for as long as the bonds are outstanding and title to the project is held by the issuing agency. New Mexico law exempts governmental agencies from paying property taxes. The IRB financing mechanism provides for an installment sales agreement or lease agreement whereby the issuer acquires the project and then sells or leases the project to the business. At the end of the installment sale or lease, the issuer conveys the project to the business for a nominal amount. Bonds may be issued in different series with variable principal amounts, interest rates and maturities to accommodate the acquisition of assets with different useful lives. The municipality or county must approve the project. The issuing agency is not responsible for the indebtedness; it serves only as a conduit to the financing. In addition to a property-tax abatement, tangible personal property (other than building materials and related construction services) in facilities financed with IRBs is effectively exempt from gross receipts and compensating tax. Tax-exempt IRBs are available for manufacturing facilities where total capital expenditures do not exceed \$10 million, subject to cap allocation from the State Board of Finance and compliance with various other federal tax requirements.
- Contact Kathy McCormick, Community Development Team Leader
- Agency NM Economic Development Department
- Mail Address P. O. Box 2003
Santa Fe, NM 87504
- Street Address Joseph Montoya Building
1100 St. Francis Dr.
Santa Fe, NM
- Phone 505-827-0382
- Fax 505-827-0407
- Citations *§§3-32-1 thru 16 NMSA 1978; §§3-59-1 thru 14 NMSA 1978; §4-59-1 thru 16 NMSA 1978; §§ 58-24-1 thru 24 NMSA 1978*

■ *Funding Resource for Business*

NM Industry Development Corporation (NMIDC) Revolving Loan Fund

- Provider NM Industry Development Corporation
- Business Need Loan
- Description Initiated to assist with the financing of businesses in counties with long-term economic deterioration.
- Objective Job creation
- Eligible Uses Priority is given to existing businesses that develop, manufacture or assemble products utilizing local labor.
- Rates, Terms The Industry Development Corporation Revolving Loan Fund (IDC-RLF) provides loans for fixed assets (land, building, machinery and equipment) and working capital. Loans typically range from \$25,000-\$50,000 and are leveraged with other funds. Maturities: term for fixed asset loans may be up to 15 years; working capital loans up to seven years. Rates: Lower than market rates and subordinated collateral is negotiable.
- Socio-Economic Job creation and retention, minority business.
- Location Target 20 counties: Catron, Cibola, Colfax, DeBaca, Dona Ana, Eddy, Grant, Guadalupe, Hidalgo, Luna, McKinley, Mora, Rio Arriba, San Juan, San Miguel, Sandoval, Socorro, Taos, Torrance, Valencia
- Other Conditions Applicants must be existing NM small businesses (as defined by the SBA) located in eligible counties. IDC-RLF is a lender of last resort. The applicant must be turned down by at least two financial institutions in order to qualify. Emphasis will be placed on loans that are participating with other public and private sources of financing.
- Contact Augustine Apodaca
- Agency NM Industry Development Corp.
- Address 700 4th Street, SW
Albuquerque, NM 87102
- Phone 505-244-0574
- Fax 505-242-8666

■ *Funding Resource/Tax Break for Business, Manufacturing*

Private Activity Bonds for Manufacturing Facilities

- Provider New Mexico Board of Finance
- Business Need Tax abatement on interest on industrial revenue bonds
- Federal Source Tax exempt status authorized by the Internal Revenue Service
- Description Tax-exempt industrial revenue bonds for the construction, or acquisition and renovation of manufacturing facilities.
- Objective Encourage manufacturers to relocate to or expand in NM
- Eligible Use Costs that may be financed with tax exempt bond proceeds:
 - Land and hard construction costs
 - Purchase of equipment
 - Related soft costs such as architectural, engineering, title, etc.
 - Capitalized interest during construction
 - Percentage of the bond issue toward costs of issuing the bonds
- Rates, Terms Lower than conventional interest rates, up to a 30-year term, total project cost of \$10,000,000 or less. IRBs are issued by a municipality or a county.
- Location Target Statewide
- Contact Scott Stovall
- Agency New Mexico Department of Finance
- Office NM Board of Finance
- Address 180 Bataan Memorial Building
Santa Fe, NM 87501
- Phone 505-827-3930
- Fax 505-827-3985

■ *Funding Resource for Business*

Real Property Business Loan

- Provider: NM State Investment Council
- Business Need Finance
- Description These loans are severance tax permanent fund investments in participation of up to 80 percent of loans originated by New Mexico financial institutions.
- Objective Real estate participation loans
- Eligible Uses Purchase of land and attached buildings, and refinancing existing debt if the loan is for expansion purposes.
- Rates, Terms Interest rates are fixed for five years, and maturity is not less than five years or more than 15 years. Business-size targets: \$500,000 to \$2,000,000.
- Contact Duane Henden
- Agency New Mexico State Investment Council
- Address 2055 S. Pacheco Street, Suite 100
Santa Fe, NM 87505
- Phone 505-424-2500
- Fax 505-424-2510

■ *Funding Resource for Business*

Severance Tax Permanent Fund/Participation Interest in Business Loan

- Provider New Mexico State Investment Council
- Business Need Loan
- Description The Severance Tax Permanent Fund may be invested in participation interests in New Mexico real property-related business loans if the proceeds of such loans will be or are being used by the borrower to commence or expand operations in NM. The loans purchased may be in amounts from \$250,000 to \$2 million. The minimum loan amount may be met by the packaging of up to 5 separate loans which otherwise would meet the requirements of the program. The State Investment Council may purchase from eligible New Mexico financial institutions, a participation interest of up to 80% in any loan secured by a first mortgage or a deed of trust on real property located in NM of an eligible business entity, or its subsidiary, which is operating or shall use the loan proceeds to commence operation within NM, plus any other guarantees or collateral that may be judged by the eligible institution or State Investment Officer to be prudent.
- Objective Achieve a yield consistent with safe and sound investments.
- Eligible Uses In accordance with the provisions of the statute, loan proceeds shall be used exclusively for the purpose of expanding or establishing businesses in New Mexico. The use of loan proceeds may include the refinancing of a business' existing loans outstanding only if the loan is for expansion purposes.
- Target Location Statewide
- Contact Georgia Desjarlais, Investment Officer
- Agency NM State Investment Council
- Address 2055 South Pacheco Street, Suite 100
Santa Fe, NM 87505
- Phone 505-424-2500
- Fax 505-424-2510

■ *Funding Resource for Business*

Severance Tax Permanent Fund/Purchases of SBA/FmHA Obligations

- Provider NM State Investment Council
- Business Need Finance - Loan
- Description The Severance Tax Permanent Fund may be invested in notes or obligations securing loans to New Mexico businesses made by banks and savings and loan associations and mortgages approved by the Department of Housing and Urban Development to the extent that both principal and interest are guaranteed by the U.S. government.
- Objective Business assistance
- Eligible Uses Any small New Mexico business whose net worth is not more than \$6 million is eligible.
- Rates, Terms The net interest rate to the state is determined by using a formula that determines the market rate of comparable securities of the same maturity. The loan amortization/maturity periods shall be limited to 5, 7, 10, 20 and 25 years. A one percent commitment fee to be paid by the bank or savings and loan association to the State Investment Council shall be charges on all SBA and FmHA loans. A .875 percent maximum servicing fee shall be charged by the bank or savings and loan association on the unpaid balance of the loan as compensation for servicing by the financial institution. On approval of a loan by the SBA/FmHA, the originating financial institution desiring to sell the loan to the State Investment Council: contact SBA/FmHA portfolio manager to request a commitment.
- Location Target Statewide
- Contact Georgia Desjarlais, Investment Officer
- Agency NM State Investment Council
- Address 2055 South Pacheco Street, Suite 100
Santa Fe, NM 87505
- Phone 505-424-2500
- Fax 505-424-2510

■ *Funding Resources for Business*

Venture Capital Investment Fund

- Provider State of New Mexico
- Business Need Funding Source
- Description The New Mexico Venture Capital Investment Program makes investments in qualified NM-based venture capital funds. Up to three percent of the Severance Tax Permanent Fund in NM-based venture capital funds can be invested by the State Investment Council through limited partnerships with resident venture capital firms. In 2002, there were 9 venture capital firms managing 13 funds participating in the program.
- Eligible Uses Each New Mexico venture capital fund must be a limited partnership or corporation organized and operating in the U.S. and maintaining its principal active office in New Mexico.
- Rates, Terms Not more than \$15 million may be invested in any one New Mexico venture capital fund, and such investments cannot exceed 50 percent of the committed capital of that fund. The funds may be invested in entrepreneurial businesses with the following conditions: the company must have an experienced management team; a rapidly growing and potentially large market; and a convincing proprietary or competitive advantage where there are barriers to entry for other businesses and opportunity for significant capital appreciation for investors over a 5-7 year period.
- Location Target Statewide
- Other Conditions Funds must meet certain criteria to promote investments in New Mexico companies. Funds must maintain an office in New Mexico with at least one full-time professional.
- Contact NM State Investment Council
- Name Loan Officer
- Address 2055 S. Pacheco Street, Suite 100
Santa Fe, NM 87504
- Phone 505-424-2500
- Fax 505-424-2510
- Citation §7-27-5.15 NMSA 1978

■ *Funding Resource for Economic Development by Local Governments*

Community Development Revolving Loan Fund

- Provider New Mexico Economic Development Department
- Business Need Infrastructure loan
- Description Loan enabling political subdivisions of New Mexico to construct or implement projects necessary to encourage the location or expansion of industry. The Economic Development Department provides loans for the construction or implementation of projects in the political subdivision that create jobs, stimulate private investment, promote community revitalization, and expand the local tax base.
- Objective Provide assistance to political subdivisions of the State so they can construct or implement projects necessary to provide services that will encourage the location of industry in the subdivision.
- Eligible Uses Related to the location of business and industry in the political subdivision and may include infrastructure improvements; acquisition of real property; construction, reconstruction, rehabilitation or installation of public facilities; site improvements and utilities; and commercial or industrial buildings or structures and other commercial or industrial real property improvements.
- Rates, Terms This program provides loans up to \$250,000, with no minimum. Equity: additional sources of funding are required. Maturities: the term is negotiable, not to exceed 10 years.
- Other Conditions The applicant must be a political subdivision (incorporated municipality or county unit of government). Funding may be requested on behalf of a privately owned business.
- Contact Kathy McCormick, Community Development Team Leader
- Agency New Mexico Economic Development Department
Economic Development Division
- Mail Address P. O. Box 2003
Santa Fe NM 87504
- Street Address 1100 St. Francis Drive
Santa Fe, NM
- Phone 505-827-0382
- Fax 505-827-0407

■ *Funding Resource for Economic Development by Local Governments*

Enterprise Zones

- Provider NM Economic Development Department
- Business Need Workforce development
- Description Municipalities, counties and Indian reservations can designate an eligible area as an enterprise zone. The program is non-competitive and offers many benefits:
 - \$50,000 tax credit to property owners for the rehabilitation of qualified business facilities (*Business Facility Rehab Credit*)
 - Fast-tracking of infrastructure projects
 - Tax increment method of financing enterprise zone projects
 - 10-year local property tax abatement on selected property
 - Special CDBG funds for infrastructure grants and low-interest economic development loans
 - Technical assistance through workshops and one-on-one meetings to assist local governments in coordinating their targeted development efforts
 - 65 % in-plant training reimbursement for qualified businesses
- Objective Designed to stimulate the creation of new jobs, with emphasis on economically-disadvantaged workers and long-term unemployed individuals, and to revitalize economically distressed areas.
- Eligible Uses Local governments (municipalities and counties), Indian reservations or a combination thereof, are authorized, based on public input, to designate an Enterprise Zone for a targeted area that meets the eligibility requirements. Zones may not exceed 25 percent of a local government's land area or encompass more than 25 percent of its population. Zones must show signs of general distress which includes: An unemployment rate that is greater than the state's rate by 1 percent; and/or 60 percent of the households in the zone must have incomes below 80 percent of the median income level. An Enterprise Zone Plan must be developed and annual reports must be submitted to the Secretary of EDD.
- Rates, Terms Area must show distress, i.e. high unemployment, deterioration of residential and commercial structures, poverty, other distress criteria. First step for designation: a comprehensive strategic plan must be developed with grassroots involvement.
- Location Target Statewide; areas of general distress.
- Contact Donnie J. Quintana
- Agency NM Economic Development Department, Economic Dev. Div.
- Mail Address P. O. Box 20003, Santa Fe, NM 87504-5003
- Phone 505-827-0089
- Fax 505-827-1645
- Citation *Regulation 3.3.13.11NMAC*

■ *Funding Resource for Economic Development by Local Governments*

Local Economic Development Act

- Provider A local government (municipality or county)
- Program Type Provides land, buildings and infrastructure as a tool for basic business growth and the introduction of basic business ventures into the state.
- Business Need Local governments support local economic development efforts.
- Description Local governments are allowed to provide direct or indirect assistance to qualifying businesses for furthering or implementing economic development plans and projects. The projects may include the purchase of land, buildings, and infrastructure defined by the local economic development plan.
 - The anti-donation clause of NM's Constitution prohibits the state and its political subdivisions from donating anything of value to any private enterprise. Other states, however, found ways to partner governments with private enterprise to launch a wide variety of development projects. Our constitutional ban not only deprived NM of the benefits of such partnerships, but also put us a step behind in the interstate competition for jobs. So this provision was amended. Local and regional governments now have the authority to contribute assets to development projects; however, the imposition of a tax must be approved by the voters in a referendum.
- Objective Facilitate job creation through increased business opportunities
- Eligible Use Municipalities may impose municipal infrastructure gross receipts tax and dedicate the revenue for economic development projects. A total of 0.25% tax (in four increments of 0.0625%) may be imposed. Counties similarly may direct the proceeds of county infrastructure gross receipts tax. Counties may impose up to 0.125% in two 0.0625% increments.
- Rates, Terms There are restrictions on how much of the proceeds of the tax may be consumed by promotion, administration or implementation.
- Location Target Municipalities and Counties
- Contact Business Development Specialist
- Office NM Economic Development Dept. Economic Development Div.
- Address 1100 St. Francis Drive, Santa Fe, NM 87505-4147
- Phone 505-827-0300
- Fax 505-827-0407
- Citation §§5-10-1 through 13 NMSA 1978

■ *Funding Resource for Economic Development by Local Governments*

New Mexico Finance Authority (NMFA) Loan

- Provider NM Finance Authority
- Business Need Infrastructure loan
- Description The NMFA is a state government instrument created to coordinate the planning and financing of state and local public projects, to provide long-term planning and assessment of state and local capital needs, and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.
- Objective Finance public projects
- Rates, Terms The NMFA will provide low-cost, long-term loans for financing projects including buildings; water, sewage and waste disposal systems; streets; airports; municipal utilities; parking facilities; etc. Equipment Finance Program: The NMFA will provide low-cost financing to purchase capital equipment including fire equipment, police cars, and road maintenance equipment.
- Location Target Statewide
- Other Conditions The applicant must be a political subdivision (incorporated municipality or county unit of government). The applicant must pledge designated public funds to repay the loan. Under certain circumstances, grant funds may be available.
- Contact Tom Pollard, Executive Director
- Agency NM Finance Authority
- Address 409 St. Michael's Drive
Santa Fe, NM 87505
- Phone 505-984-1454
- Fax 505-984-0002

■ *Funding Resource for Economic Development by Local Governments*

Tax Increment Financing

- Provider NM Taxation and Revenue Department
- Description Tax increment financing is a tool offered by the Urban Development Law, the Enterprise Zone Act, and the Metropolitan Redevelopment Code, although in slightly different forms. It is a mechanism for raising funds for economic development purposes. At the beginning of a project, the valuation of the project properties is summed. As the project proceeds, these properties are developed or otherwise improved, increasing their valuations. The tax proceeds flowing from the increase in valuation may be diverted for use of the operating the enterprise zone or redevelopment project.
- Location Target Designated areas.
- Rates, Terms Tax Increment Financing does not include a property tax break.
- Application Contact local community development agency or the state.
- Contact Jeanne Flannery
- Agency NM Taxation and Revenue Department
- Office Tax Information Office
- Address P. O. Box 630, Santa Fe, NM 87504-0630
1100 St. Francis Drive, Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation *Urban Development Law §§3-46-1 thru 3-46-45*
Enterprise Zone Act §§5-9-10 thru 5-19-14
Metropolitan Redevelopment Code §§3-60A-19 thru 3/60A-24

■ *Funding Resource for Economic Development by Local Governments*

Tax Levying Authorizations

- Provider Improvement Districts
Community Development Law
Business Improvement Districts
Community Service District Act
County Improvement District Act
- Program Type Local governments are authorized to set up special taxing districts to help generate revenues for the infrastructure necessary for economic development projects.
- Business Need Assist business development.
- Description A local government is empowered to create the district, but in some cases local residents have to ratify creation. The authorizing legislation allows issuance of bonds to pay for infrastructure development that includes property acquisition and provides for a tax to pay off the bonds.
- Objective Facilitate job creation through increased business opportunities.
- Eligible Use Because of the variety of districts authorized, overall there is a lot of flexibility in meeting the local government's end of a partnering deal.
- Rates, Terms Affected voters must approve the issuance of the bonds and the imposition of the tax. These acts also allow targeting of the properties to be taxed so that only those that directly benefit from completion of the project are taxed.
- Location Target Local governments determine the special taxing districts.
- Contact Local governments
- Citations *Improvement Districts (§§3-33-1 through 3-33-43 NMSA 1978)*
Community Development Law (§§3-60-1 through 3-60-27 NMSA 1978)
Business Improvement Districts (§§3-63-1 through 3-63-16 NMSA 1978)
Community Service District Act (§§4-54-1 through 4-54-5 NMSA 1978)
County Improvement District Act (§§4-55A-1 thru 4-55A-43 NMSA 1978)

■ *Tax Break for Agri-business*

Ag Production Tax Deductions and Exemptions

- Provider New Mexico Taxation and Revenue Department
- Business Need Market Development
- Description Tax deductions/exemptions for NM ag-related production.
- Objective Facilitate ag-related production in NM
- Eligible Uses Gross receipts tax deduction for feed for livestock and fertilizer; fish raised for human consumption; poultry or animals raised for hides or pelts; selling seeds, roots, bulbs, plants, soil conditioners, fertilizers, insecticides, germicides, insects, fungicides, weedicides, water for irrigation, ranching, raising animals for hides/pelts; gross receipts tax deduction for warehousing, threshing, harvesting, growing, cultivating, processing agricultural products; gross receipts tax and governmental gross receipts tax exemption for certain agricultural products; gross receipts tax exemption for livestock feeding.
- Rates, Terms Gross receipt tax rate is 5% plus local option rates.
- Location Target Statewide
- Industry Targets Agriculture
- Contact Jeanne Flannery
- Agency NM Taxation and Revenue Department
- Office Tax Information
- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Office Location 1100 St. Francis Drive, Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §§7-9-18, 7-9-19, 7-9-58, 7-9-59 NMSA 1978

■ *Tax Break for Business*

Aircraft Refurbishing or Remodeling Tax Deduction

- Provider New Mexico Taxation and Revenue Department
- Business Need Aircraft manufacturer tax relief
- Description Receipts from refurbishing, remodeling or otherwise modifying transport category aircraft over sixty-five thousand pounds gross landing weight may be deducted from gross receipts.
- Objective Encourage aircraft refurbishers to locate and expand in NM
- Eligible Uses Aircraft refurbishers
- Rates, Terms -
- Location Target Statewide
- Other Conditions -
- Contact Jeanne Flannery
- Agency New Mexico Taxation and Revenue Department
Tax Information Office
- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Office Location 1100 St. Francis Drive
Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-9-62.1 NMSA 1978

■ *Tax Break for Business*

Child Care Corporate Income Tax Credit

- Provider NM Taxation and Revenue Department
- Business Need Workforce incentive – income tax credit
- Description Corporations providing or paying for licensed child care services for employees’ children under 12 years of age may deduct 30% of eligible expenses from their corporate income tax liability for the taxable year in which the expenses occur. For a company operating a value-added day care center for its employees, this credit reduces the cost to provide this benefit to employees.
- Objective Worker benefit; increases worker loyalty
- Rates, Terms The corporate income tax credit is 30% of eligible costs up to \$30,000 in any taxable year.
- Location Target Statewide
- Other Conditions Unused credit amounts may be carried forward for three years.
- Contact Jeanne Flannery
- Agency New Mexico Taxation and Revenue Department
- Office Tax Information
- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Located Joseph Montoya Building
1100 St. Francis Drive
Santa Fe, NM
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-2A-14 NMSA 1978

■ ***Tax Break for Business***

Cultural Property Preservation Tax Credit

- Provider New Mexico Taxation and Revenue Department
- Business Need Finance
- Description Taxpayers may take this credit on corporate or personal income tax returns for restoring, rehabilitating or preserving properties listed on the NM Register of Cultural Properties. Specifically, a tax credit is available where historic structures are certified as having received rehabilitation to preserve and enhance their historic character.
- Objective To encourage rehabilitation and reuse of historic structures.
- Eligible Use The property must be listed on the NM Register of Cultural Properties, maintained by the Historic Preservation Division of the Office of Cultural Affairs. A taxpayer can be involved with more than one project, claiming a credit for each qualifying project.
- Rates, Terms The maximum credit is 50% of the cost of restoration, rehabilitation or preservation, up to \$25,000 credit maximum per project. The taxpayer may apply the credits against existing tax liabilities only, and may carry unused amounts forward for 4 years.
- Location Target Certified cultural properties
- Other Conditions To place the property on the Register, the owner submits a plan to the Cultural Properties Review Committee of the Office of Cultural Affairs. Once the Committee approves the restoration or rehabilitation plan, the owner has 24 months to complete the project. The project can be done in stages, provided that all credit claims for that project are submitted within three consecutive years. Any given taxpayer can be involved with more than one project and claim a credit for each qualifying project. Property owners apply to Taxation and Revenue Department for forms to claim the credit.
- Contact (1) Jeanne Flannery
- Agency New Mexico Taxation and Revenue Department
- Office Tax Information
- Address P. O. Box 630, Santa Fe, NM 87504-0630
1100 St. Francis Drive, Santa Fe, NM 87505
- Phone 505-827-0908 or 1746
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Contact (2) Historic Preservation Division
- Office Cultural Affairs
- Address 228 East Palace Avenue, Room 320, Santa Fe, NM 87501
- Phone 505-827-6320
- Fax 505-827-6338
- Website www.museums.state.nm.us/hpd

- Citation *§§7-2-18.2 & 7-2A-8.6 NMSA 1978*

■ *Tax Break for Business*

Goods-In-Transit Property Tax Exemption

- Provider New Mexico Taxation and Revenue Department
- Business Need Provides tax relief through a tax exemption
- Description Property in transit through the state to a destination outside the state, as well as property from outside the state consigned to a warehouse for delivery out of state, is exempt from all taxation.
- Objective Facilitate the warehousing industry in NM
- Eligible Use Tax exemption
- Rates, Terms -
- Location Target Statewide
- Contact Jeanne Flannery
- Agency NM Taxation and Revenue Department, Tax Information Office
- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Office Location 1100 St. Francis Drive, Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm

■ ***Tax Break for Business***

Gross Receipts and Compensating Tax Deduction for IRB Projects

- Provider NM Taxation and Revenue Department
- Business Need Tax credit through IRBs
- Description The gross receipts tax is New Mexico's version of a sales tax. A compensating tax of 5 percent is imposed on the use of tangible personal property when the property is purchased outside the state and imported for use. When the property is purchased with proceeds of an industrial revenue bond, the government unit issuing the IRB takes the title. Sales of tangible personal property (other than building materials and related construction services) to a government are deductible from gross receipts, and use of tangible personal property by a government is exempt from the compensating tax.
- Objective Encourage manufacturing companies to locate or expand in NM
- Eligible Uses Tangible personal property (other than building materials and related construction services) purchased with IRB proceeds.
- Rates, Terms Abatement of any sales, gross receipts, compensating or similar tax on machinery and equipment, and other movable personal property for an IRB-eligible facility. Qualifying IRB projects include construction, rehabilitation or equipping of office buildings, warehouses, manufacturing facilities, and service-oriented facilities are eligible. Facilities primarily in the sale of goods or commodities at retail located within the boundaries of a municipality are not eligible for IRB financing.
- Rate 5 percent or more; varies by community
- Other Conditions Requires the issuance of IRBs by a municipality or county.
- Contact Jeanne Flannery
- Agency NM Taxation and Revenue Department, Tax Information Office
- Address 1100 St. Francis Drive
Santa Fe, NM 878501
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §§7-5-7 and 7-9-54 NMSA 1978

■ *Tax Break for Business*

Inventory Tax Exemption

- Description Business inventories are exempt from all taxation until sold
- Eligible Uses Businesses in commerce
- Rates, Terms -
- Location Target Statewide
- Other Conditions -
- Contact Jeanne Flannery
- Agency New Mexico Taxation and Revenue Department
- Office Tax Information
- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Office Location 1100 St. Francis Drive
Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm

■ *Tax Break for Business*

Laboratory Partnership with Small Business Tax Credit

- Provider Sandia National Laboratory
- Business Need Business assistance
- Description When a national laboratory offers certain types of assistance to individual small businesses in NM and incurs expenses for doing so, it may take a credit against the state portion of gross receipts tax of up to \$5,000 per business or \$10,000 in a rural area. This credit means that New Mexico small businesses in manufacturing, mining, oil and gas, environment, agriculture, information and solar and other alternative energies can tap Sandia National Laboratory for up to \$10,000 worth of assistance – free.
- Objective Access by small businesses to national lab expertise
- Eligible Use Assistance covers both technology transfer services, including software, and non-technical assistance related to expanding the New Mexico base of suppliers.
- Rates, Terms The maximum amount is \$5,000 per small business assisted inside Bernalillo County and \$10,000 per small business outside Bernalillo County. An application form can be obtained from the website (see below).
- Location Target Statewide
- Other Conditions Sandia National Laboratory is eligible for up to \$1,800,000 annually as a credit against its state gross receipts tax obligation. The credit is to reimburse Sandia for the costs of certain assistance it provides to small businesses located in New Mexico. “Small Business” is defined in the federal Small Business Act, P.L. 85-536.
- Contact Agency Regional and Small Business Partnering Office
- Phone 1-800-765-1678
- Fax 505-843-4198
- Website www.sandia.gov/smallbusinessprograms
- Citation §§7-9E-1 through 7-9E-9 NMSA 1978

■ *Tax Break for Business*

Rural Job Tax Credit

- Provider NM Taxation and Revenue Department
- Business Need Tax credit
- Description Eligible employers who establish new jobs in rural NM are entitled to a tax credit. The credit may be applied against state gross receipts compensating or withholding taxes, or corporate or personal income taxes. NM Taxation and Revenue Department will issue a tax credit document for the company to claim the credit. A credit once earned can be used, transferred or sold. The credit must be taken over an extended period: for Tier 2, 50% of the credit may be taken within each qualifying period; for Tier 1 jobs, 25% of the credit may be taken within any qualifying period. If the amount of credit for a qualifying period exceeds the owner's tax liability for the period, the excess may be carried forward for up to three years.
- Objective Stimulate job creation while rewarding employers for establishing new jobs in rural NM
- Eligible Uses Rural NM is defined as any part of the state other than Los Alamos County, certain municipalities (Albuquerque, Rio Rancho, Las Cruces, Santa Fe) and a ten-mile zone around those select municipalities. The rural area is divided into two tiers: Tier 2--all the rural area municipalities that exceed 15,000 in population (Alamogordo, Carlsbad, Clovis, Farmington, Gallup, Hobbs, Roswell); Tier 1--everywhere else in the rural area.
- Rates, Terms For each new qualifying job created, the amount of credit that may be earned is:
 - Tier 1: 25% of the first \$16,000 in wages paid—to be claimed in installments of 6.25% per year (a maximum annual credit of \$1,000 per job) for 4 years
 - Tier 2 – 12.5% of the first \$16,000 in wages paid—to be claimed in installments of 6.25% per year (a maximum annual credit of up to \$1,000 per job) for 2 yearsCriteria for the employer, job and employee to qualify:
 - Employer must qualify for in-plant training assistance, a program administered by the Economic Development Department. Such companies are manufacturers or companies exporting goods or services from NM. The EDD will inform the Tax and Revenue Dept. which employers are eligible.
 - The job has to be occupied by an eligible employee for at least 48 weeks per year

- Employee may not be an owner or close relative or dependent of an owner or the grantor or beneficiary of an estate or trust that owns the business.
- Location Target Rural areas of the state (defined above).
- Other Conditions An eligible employer may apply to the Taxation and Revenue Department for the credit. As part of the application, the business must certify its eligibility for the credit, the amount of wages eligible for credit and whether the jobs are in Tier 1 or Tier 2. If approved, a document will be issued in the amount of the credit. The document is numbered, carries its date of issuance, and is transferable. If transferred, the parties notify the Taxation Department of the transfer within ten days of transfer. The document remains valid for three years after its date of issuance. The owner of the tax credit document may offset the approved credit against state taxes owed on the CRS-1 form (state gross receipts tax, compensating tax and withholding tax) or against income tax (personal or corporate, depending on how the owner is organized). Not all of the credit earned, however, may be taken at once. If the job is in Tier 2, 50% of the credit may be taken within each qualifying period (the 12 months beginning on the anniversary date of the day an eligible employee filled a qualifying job). For Tier 1 jobs, only 25% of the credit may be taken within any qualifying period. Only jobs created within the period July 1, 2000 through June 30, 2005 are eligible. Employers have until June 30, 2006 to apply to the Tax Department for this credit.
- Contact (1) Jeannie Flannery
- Agency NM Taxation and Revenue Department, Tax Information Office
- Address P. O. Box 630, Santa Fe, NM 87504-0630
1100 St. Francis Drive, Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Contact (2) New Mexico Economic Development Department
Economic Development Division
- Address 1100 S. St. Francis Drive
Santa Fe, NM 87503
- Phone 1-800-374-3061 or 505-827-0323
- Fax 505-827-0407
- Website www.edd.state.nm.us
- Citation §§7-2E-1 & 7-2E-2 NMSA 1978, in-plant §21-19-7

■ *Tax Break for Business*

Sales-for-Resale (Wholesale) Gross Receipts Tax Deduction

- Provider New Mexico Taxation and Revenue Department
- Business Need Business incentive
- Description Receipts from selling tangible personal property or licenses may be deducted from gross receipts or from governmental gross receipts if the sale is made to a person who delivers a nontaxable transaction certificate to the seller. The buyer delivering the nontaxable transaction certificate must resell the tangible personal property or license either by itself or in combination with other tangible personal property or licenses in the ordinary course of business.
- Objective -
- Eligible Uses -
- Rate, Terms Applicable gross receipts tax.
- Location Target Statewide
- Contact Jeanne Flannery
- Agency NM Taxation and Revenue Department
- Office Tax Information
- Address P. O. Box 630, Santa Fe, NM 87504-0630
- Located 1100 St. Francis Drive, Santa Fe
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation *§7-9-47 NMSA 1978*

■ *Tax Break for Business*

Welfare-to-Work Tax Credit

- Provider New Mexico Taxation and Revenue Department
- Business Need Provides incentive to hire welfare recipients
- Description The credit equals 50% of the federal welfare-to-work credit for which the employer is eligible, up to \$1,750 for the first year of employment and rising to \$2,500 for the second year. The state credit piggybacks on the federal credit of the same name.
- Objective A credit is offered under both the personal and corporate income taxes to reward employers who hire people off the welfare rolls.
- Eligible Uses For a person hired, employer receives from the state 50% of the credit earned for federal purposes. Credit can be earned on the same individual employed by the same employer for up to 2 years. An employer may carry forward any part of the tax credit remaining at the end of the taxable year for 3 consecutive taxable years.
- Rate, Terms State maximum credit amounts are \$1,750 for the 1st year, \$2,500 for the 2nd year per qualifying employee, and any part of the remaining credit may carry forward at the end of the taxable year for 3 consecutive taxable years. An employer must first qualify for the federal credit. Additional criteria:
 - Hiring of the individual must increase the employer's total number of jobs (over the average in the preceding calendar year) or replace a previous qualified employee
 - Wage, benefits and working conditions must be comparable with similar jobs of that same employer
 - Employee must live in a high unemployment county determined by the Department of Labor to have had an unemployment rate exceeding 10% in 6 or more months in the previous calendar year (determined every January).
 - Corporations or individuals attach their NM Department of Labor certification to the appropriate tax forms and submit to NM Tax and Revenue Department.
- Location Target Statewide
- Contact (1) Jeanne Flannery, Tax Information Office
- Agency NM Taxation and Revenue Department
- Address P. O. Box 630, Santa Fe, NM 87504-0630
1100 St. Francis Drive, Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Contact (2) NM Department of Labor
- Office WOTC/WtW Coordinator
- Address P. O. Box 1928, Albuquerque NM 87103
- Phone 505-841-8501
- Website www.dol.state.nm.us/dol_fund.htm#wtw

- Citation §7-2-18.5 & 7-2A-8.8 NMSA 1978!

Tax Break for Distilling and Brewing

Microbrewery and Small Winery Preferential Tax Rate

- Provider NM Taxation and Revenue Department
- Business Need Market Development – tax abatement/reduction
- Description Preferential tax rate for small wineries and microbreweries.
- Objective Encourage the industry in NM
- Eligible Uses Microbreweries producing under 5,000 barrels of beer annually; small winers producing less than 560,000 liters of wine per year.
- Rates, Terms The Liquor Excise Tax Act imposes taxes on beer, wine and spirituous liquors. The basic tax rate for wine is 45 cents per liter. A small winer is defined as one that produces less than 560,000 liters of wine per year. Wine produced by a small winer carries a tax of 10 cents per liter on the first 80,000 liters and 20 cents on production over that level up to 560,000 liters. The basic tax rate for beer produced by a brewery is 41 cents; beer produced by a microbrewery is taxed at 8 cents per gallon. Microbreweries are defined as producing less than 5,000 barrels of beer annually.
- Target Small wineries, microbreweries
- Location Target Statewide
- Contact Jeanne Flannery
- Agency New Mexico Taxation and Revenue Department
- Office Tax Information Office
- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Located 1100 St. Francis Drive
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-17-5 NMSA 1978

■ *Tax Break through Enterprise Zones*

Business Facility Rehabilitation Tax Credit

- Provider NM Taxation and Revenue Department
- Business Need Income tax break for a business in enterprise zones
- Description This credit may be taken against corporate income tax or personal income tax for the restoration, rehabilitation, or renovation of a qualified business facility in an enterprise zone. An enterprise zone is a distressed area identified as such by a NM county, municipality or Indian reservation, or by a combination of any two or all three.
- Objective Help create new jobs and revitalize economically distressed areas.
- Eligible Uses A qualified business facility is a building
 - Located in an enterprise zone
 - Vacant for at least 24 mo. prior to project but is suitable for use
 - Put into service immediately after the project by a person in the manufacturing, distribution or service industries
- Rates, Terms The credit is equal to 50% of the project cost, with a cap of \$50,000 and a carry-forward provision of four consecutive taxable years. To obtain the credit, the applicant must first secure approval of a restoration/rehabilitation plan. Projects can include expansion of the original building if the expansion adds less than 10% usable square feet. Once the project is completed, a certification is obtained from the Enterprise Zone Program Officer of the Economic Development Department showing that the project conformed to the approved plan. However, if the cultural property rehabilitation or preservation credit is claimed, or for qualifying costs under the Investment Credit Act, the Facility Credit cannot be claimed.
- Location Target Enterprise Zones; areas of general distress
- Contact (1) Jeanne Flannery
New Mexico Taxation and Revenue Department
- Office Tax Information
- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Located 1100 St. Francis Drive, Santa Fe, NM
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Contact (2) Donnie Quintana, Deputy Director
Economic Development Division
- Agency NM Economic Development Department
- Located 1100 St. Francis Drive, Santa Fe, NM 87505-4147
- Phone 505-827-0300
- Fax 505-827-0407

- Citation *§§7-2-18.4 and 7-2A-15 NMSA 1978*

■ *Tax Break for Electricity Generation*

Renewable Energy Production Credit

- Provider NM Taxation and Revenue Department
- Business Need Corporate income taxpayers receive credit for producing electricity by solar or wind power at a penny per kilowatt hour for up to the first 400,000 megawatt hours yearly per taxpayer for ten years.
- Objective Stimulate energy conservation by our corporate community.
- Description Each qualified energy generator may earn one cent (\$.01) per kilowatt-hour for the first 400,000 megawatt-hours (=400,000,000 kilowatts) of electricity using a qualified energy source for ten consecutive years, beginning with the first year of production.
- Eligible Uses For corporate income tax and pass-through-entity taxpayers. Qualified energy generators are producers with at least twenty megawatts generating capacity located in NM that produces electricity using a qualified energy resource and that sells that electricity to an unrelated person; qualified energy resource means a resource that generates electrical energy by means of a zero-emissions generation technology that has substantial long-term production potential and that uses only solar light, solar heat, or wind power.
- Rates, Terms Credit is claimable for taxable years as of 7/1/02; limited to \$8,000,000/year (or 800,000 megawatts of estimated generating capacity); claims are processed on a first-in, first-out basis.
- Location Target Statewide
- Other Conditions The Energy, Minerals and Natural Resources Department must first approve the business as eligible but may not approve more than \$8 million in credits annually. The credit, effective from the original date of application, continues until the facility goes out of production for more than 6 consecutive months or its ten-year eligibility expires. Excess credit may carry forward for five consecutive taxable years.
- Contact Energy, Minerals and Natural Resources Department
- Office Energy Conservation and Management Division
- Name Michael McDiarmid
- Address P. O. Box 6429, Santa Fe, NM 87505
- Phone 505-476-3319
- Fax 505-476-3220
- Website www.emnrd.state.nm.us
- Citation §7-2A-19 NMSA 1978

■ *Tax Break for Electricity Generation*

Wind Energy Generation Equipment Gross Receipts Tax Deduction

- Provider NM Taxation and Revenue Department
- Business Need Provide a tax deduction as a relief for contributing to the production of electricity through harnessing wind power – which is abundant in New Mexico.
- Objective Stimulate production of renewable energy.
- Description Receipts from selling wind generation nacelles, rotors or related equipment to the United States or New Mexico or any governmental unit or subdivision, agency, department or instrumentality thereof qualify for a gross receipts tax deduction.
- Eligible Uses If equipment described above is installed on a supporting structure, it is eligible to be deducted from gross receipts.
- Rates, Terms Tax deduction
- Location Target Statewide
- Other Conditions -
- Contact Energy, Minerals and Natural Resources Department
- Office Energy Conservation and Management Division
- Name Michael McDiarmid
- Address 1220 South St. Francis Drive
Santa Fe, New Mexico 87505
- Phone 505-476-3319
- Fax 505-476-3322
- Website www.emnrd.state.nm.us
- Citation §7-9-54.3 NMSA 1978

■ *Tax Break for Filmmaking*

Film Production Tax Credit

- Provider NM Taxation and Revenue Department and The NM Film Office
- Business Need Encourage filmmakers to choose NM for film production.
- Description Filmmakers may ask for a credit equal to 15% of the total direct production costs incurred in New Mexico after January 1, 2002. “Film” includes live action or animated features, shorts and national advertisements intended for release in theaters or on television. Most direct costs are eligible.
- Objective Provide financial incentive for filming movies, national commercials, and national television shows in New Mexico.
- Eligible Use All of the industry accounting standard’s direct costs that are taxable by the State of NM.
- Rates, Terms This is an income tax credit applied to a company’s income tax return. Inquiring companies may apply for either the 15% tax credit or the 6% gross receipt tax exemption, but not both.
- Location Target Statewide
- Conditions The production company registers with the Film Division of the Economic Development Department to let the state know when the filmmaker will be working in NM and that it intends to ask for the credit. After production in New Mexico for a tax year is completed, the filmmaker applies for the credit with the Taxation and Revenue Department. Detailed records of costs incurred in New Mexico are submitted for review, and up to 100% of the credit can be eligible for approval. The filmmaker can then claim the amount of approved credit on the filmmaker’s income return (PIT, CIT, PTE or FID form). Each owner then may claim its share of the approved credit on the owner’s income tax return. If the film production tax credit amount claimed exceeds the film production company’s tax liability for the taxable year in which the credit is being claimed, the excess shall be refunded. If the filmmaker is a pass-through entity (e.g., partnership or LLC), the approved credit amount will be split among the owners in whatever manner they see fit.
- Contact (1) NM Film Office, P. O. Box 2003, Santa Fe, NM 87504-5003
- Located 1100 St. Francis Dr., Santa Fe, NM
- Phone/Fax 505-827-9810 or 1-800-545-9871; (FAX) 505-827-9799
- Web/Email www.nmfilm.com; film@nmfilm.com
- Contact (2) Jeanne Flannery, NM Tax & Revenue Dept., Tax Info Office
- Mail P. O. Box 630, Santa Fe, NM 87504-0630
- Located 1100 St. Francis Drive, Santa Fe, NM 87505
- Phone/Fax (PH) 505-827-0908; (FAX) 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-2E-1 NMSA 1978

■ ***Tax Break Filmmaking***

Filmmaker Gross Receipts Tax Deduction

- Provider NM Taxation and Revenue Department and the NM Film Office
- Business Need Tax deduction
- Description The NM Gross Receipts Tax Nontaxable Transaction Certificate (NTTC-Type 16) program for film production companies provides a 6% reduction in a production company's production costs at the point of purchase in New Mexico. The gross receipts deduction for products and services sold to filmmakers primarily helps the in-state advertising industry, providing relief from pyramiding of gross receipts tax.
- Objective Facilitate NM movie filming, tv shows, commercials, multi-media.
- Eligible Uses Direct production cost; see tax info below for details on purchases.
- Rates, Terms A qualified production company may execute nontaxable transaction certificates with its suppliers for tangible personal property or services. The suppliers may then deduct their receipts from the gross receipts tax.
- Location Target Statewide
- Industry Targets Film
- Application A production company registers with the The NM Film Office of the NM Economic Development Department and completes: the Film Office Film Production Company's NTTC Registration form; the Taxation and Revenue Department Registration form; the Taxation and Revenue Department Application for Nontaxable Transaction Certificates form. This packet can be obtained from:
- Contact (1) New Mexico Film Office
John Armijo, NTTC Program
P. O. Box 20003
Santa Fe, NM 87504-5003
- Located 1100 St Francis Drive
- Phone 505-827-9810 or 800-545-9871
- Fax 505-827-9799
- Email film@nmfilm.com
- Web www.nmfilm.com
- Contact (2) Jeanne Flannery, Tax Information Office
- Agency NM Taxation and Revenue Department
- Address 1100 St. Francis Drive
Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-9-86 NMSA 1978

■ *Tax Break for Manufacturers*

Aircraft Manufacturing Tax Deduction

- Provider New Mexico Taxation and Revenue Department
- Business Need Aircraft manufacturer tax relief
- Description Provides a gross receipts deduction for sale of aircraft by an aircraft manufacturer
- Objective Encourage the flow of commerce in the state
- Eligible Use Receipts of an aircraft manufacturer from selling aircraft may be deducted from gross receipts.
- Rates, Terms To be deductible, sale must be by manufacturer; sale made by other than a manufacturer may still be taxable.
- Location Target Statewide
- Other Conditions Any deduction allowed under Section 7-9-71 New Mexico Statutes Annotated 1978 must be taken before the deduction allowed by this statute is computed.
- Contact Jeanne Flannery
- Agency New Mexico Taxation and Revenue Department
Tax Information Office
- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Office Location 1100 St. Francis Drive
Santa Fe, NM
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-9-62B NMSA 1978

■ ***Tax Break for Manufacturers***

Border Region PIT Exemption for Out-of-State Workers

- Provider NM Taxation and Revenue Department
- Business Need Income tax exemptions for Texas residents are intended to stimulate the location and operation of Texas-owned or managed manufacturing companies in NM along the border region.
- Description Non-resident employees may allocate their compensation to their home state. Since Texas does not have a personal income tax, Texas residents working at the enterprise won't have to pay any state income tax on their compensation from the enterprise.
- Objective Encourage Texas-owned or managed businesses on the border to locate on the NM side.
- Eligible Use The enterprise must be in the manufacturing business, physically located within 20 miles of the Mexican border, have at least 5 employees who are New Mexico residents and not receiving in-plant training funds.
- Rates, Terms The enterprise must grow its New Mexico payroll to continue to qualify. It may qualify if it:
 - Had no payroll in NM the prior year, or
 - Had a payroll in NM for less than the entire previous year and the first payroll of the current year includes payments to NM residents exceeding the highest monthly payroll to such residents in the previous year; or
 - Had a payroll in NM for the entire previous year and the first payroll in the current year includes payments to NM residents exceeding by at least 10% both the payroll for all employees in January 2001 and the payroll for NM residents twelve months prior to the start of the current year; or
 - Had a payroll in NM for the entire previous year but had no payroll in NM within one year prior to 1/1/2001 and the first payroll in the current year includes payments to NM residents exceeding by at least 10% the payroll for such residents 12 months earlier.
- Location Within 20 miles of the Mexican border.
- Contact Jeanne Flannery
- Agency New Mexico Taxation and Revenue Dept., Tax Information Office
- Address P. O. Box 630, Santa Fe, NM 87504-0630
1100 St. Francis Drive, Santa Fe, NM 87505
- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-2-11A(4)(b) NMSA 1978

■ *Tax Break for Manufacturers*

Double Weight Sales Factor

- Provider New Mexico Taxation and Revenue Department
- Business Need Reduces corporate income tax obligation compared with New Mexico's standard formula
- Description A corporation (or family of corporations filing together) with income from sources within NM as well as from sources outside the state, apportions the income based on a three-factor formula. NM taxes the total corporate income times the average proportion of corporate sales, payroll and property in NM. The 3 factors (sales, payroll and property) have equal weight (33.33% each) in the formula. For a limited time (through the year 2010) manufacturers may elect to use a modified formula which gives the sales factor a 50% weight, reducing the other two to 25% apiece. The sales factor now has twice the significance of the other two, thus, the "double-weighted sales factor formula."
- Objective Manufacturers are heavily invested in plant and equipment compared with most other types of business. Manufacturers typically have plants in only a few locations even though they may sell to customers in all 50 states and foreign nations. So, a manufacturer who exports much of its product from NM can reduce its corporate income tax obligation by lowering the weight of its property and payroll factors and increasing its sales factor.
- Eligible Uses Excludes construction, farming, power generation and processing of natural resources, while allowing certain natural-gas-fired, wholesale power plants to qualify.
- Other Conditions The taxpayer, having elected to use the double-weighted formula, must use it for at least three consecutive years, to minimize tax gaming. Another is that the sum of the taxpayer's property and payroll factors must grow each year. This is an inducement to keep expanding the NM facilities.
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- Agency New Mexico Taxation and Revenue Department
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- Address P. O. Box 630
Santa Fe, NM 87504-0630
- Office Location Joseph Montoya Building
1100 St. Francis Drive
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- Phone 505-827-0908
- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-4-10B NMSA 1978

■ ***Tax Break for Manufacturers***

Investment Tax Credit for Manufacturers (*Investment Credit Act*)

- Provider New Mexico Taxation and Revenue Department
- Business Need Finance – tax credit
- Description Returns compensating tax paid on importation of manufacturing equipment for manufacturers increasing employment
- Objective Augments NM’s favorable tax climate for manufacturing operations while promoting increased employment in NM
- Eligible Uses Manufacturers may take a credit equal to 5% of the value of qualified equipment imported and put into use in a manufacturing plant in NM, provided the manufacturer meets the criteria of hiring additional workers to earn the credit, as follows:

<u>For Claims</u>	<u>1 new worker employed for each</u>
\$0-2,000,000:	\$250,000 in qualified equipment;
\$2,000,001-\$30,000,000:	\$500,000 qualified equipment;
Over \$30,000,000:	\$1 million in qualified equipment.

The credit may be claimed for equipment acquired under an IRB. This is a double benefit because no gross receipts or compensating tax was paid on the purchase or importation of the equipment.
- Rates, Terms To get a credit, the manufacturer applies to the Tax and Revenue Department, detailing the particulars. The Department may ask to review the site and equipment, and if approved an amount of credit becomes available. This credit is available through 6/30/2011.
- Other Conditions The credit is taken through the CRS-1 form. This is the form on which state and local gross receipts, compensating and withholding taxes are paid to the state. The manufacturer simply reduces its payment of those state taxes (by as much as 85% per reporting period) until the amount of investment credit is exhausted. There also are provisions for issuing a refund when the credit balance falls under \$500,000. The credit does not apply against local gross receipts taxes, so the full amount of those taxes remains due every month. Excluded from the manufacturer definition are construction, farming, certain types of power generation and processing natural resources.
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- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §§7-9A-1 through 7-9A-11 NMSA 1978

■ *Tax Break for Manufacturers*

Raw Materials Gross Receipts Tax Deduction

- Provider New Mexico Taxation and Revenue Department
- Description This deduction is for suppliers for sales of inputs to manufacturing processes and exports. Receipts from selling tangible personal property may be deducted from gross receipts when sold to manufacturers where the tangible property is an ingredient or component part of the product being manufactured.
- Objective Tax relief
- Eligible Uses Through nontaxable transaction certificates
- Rates, Terms Applicable gross receipts rate
- Other Conditions The manufacturer must deliver a nontaxable transaction certificate to the seller; and the buyer (manufacturer) delivering the nontaxable transaction certificate must incorporate the purchase into the product that he is in the business of manufacturing.

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- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-9-46 NMSA 1978

■ *Tax Break for Space*

Aerospace Research and Development Tax Deduction

- Provider New Mexico Taxation and Revenue Department
- Business Need Gross Receipts Tax Deduction
- Description Aerospace services are the research and development services sold ultimately to the U.S. Air Force. When R & D services are sold to Phillips Laboratory for resale to the Air Force, the seller's receipts are deductible. If the R & D services are sold to an intermediary for resale to Phillips Laboratory for resale to the Air Force, those receipts are also deductible.
- Objective The Aerospace Research and Development tax deduction was implemented to stimulate economic development by providing an incentive for research and development service providers to operate in New Mexico.
- Eligible Use Allows a gross receipts tax deduction for sales of research and development services sold to or for resale to a 501(C)(3) organization for resale to the US Air Force.
- Rate, Terms The Laboratory's receipts are exempt from gross receipts tax under Section 7-9-29 NMSA 1978 because it is a 501(C)(3) entity. This deduction applies not to the Laboratory, but to its contractors.
- Location Target Statewide
- Industry Target Space Industry
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- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-9-54.1 NMSA 1978

■ *Tax Break for Space*

Space Gross Receipts Tax Deductions

- Provider New Mexico Taxation and Revenue Department
- Business Need Tax relief for aerospace industry
- Description There are three separate deductions connected with the operation of a spaceport in NM.
- Objective To place New Mexico in a more competitive position regarding the establishment and operations of spaceports and space vehicles
- Eligible Use The three deductions are:
 - (1) Receipts from launching, operating or recovering space vehicles or payloads
 - (2) Receipts from preparing a payload in NM
 - (3) Receipts from operating a spaceport in NM
- Rate, Terms Covers time period of 7/1/01 – 6/30/06. “Space” is defined as any location beyond altitudes of 60,000 feet above mean sea level. “Payload” means a system, subsystem or other mechanical structure designed and constructed to perform a function in space. “Space operations” is defined as the process of commanding and controlling payloads in space. “Spaceport” is defined as the installation and related facilities used for the launching, landing, operating, recovering, servicing and monitoring of vehicles capable of entering or returning from space.
- Location Target Statewide
- Other Conditions Receipts from the sale of tangible personal property that will become a part of a construction project or performance of construction services may not be deducted under this statute section (7-9-54.2).
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- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation ***§7-9-54.2 NMSA 1978***

■ *Tax Break for Technology*

Research and Development Gross Receipts Tax Deduction

- Provider New Mexico Taxation and Revenue Department
- Business Need Business development – tax deduction
- Description Any service that is exported from the state, including research and development services are not charged gross receipts tax.
- Objective Level the playing field by not penalizing NM R & D companies competing with out-of-state companies.
- Eligible Uses Exported services produced by a business with a NM office but sold to an out-of-state buyer and delivered and initially used out-of-state, gross receipts tax may be deducted.
- Rates, Terms For a company engaged in R & D, the tax savings is the state gross receipts tax of 5%
- Location Target Statewide
- Other Conditions -
- Contact Jeanne Flannery
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- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-9-57 NMSA 1978

■ ***Tax Break for Technology***

Rural Software Gross Receipts Tax Deduction

- Provider New Mexico Taxation and Revenue Department
- Business Need Provides tax relief
- Description This gross receipts tax deduction for certain software development services is intended to stimulate new business development in rural New Mexico.
- Objective Improve the economic climate and develop industry and employment in rural communities.
- Eligible Uses A taxpayer whose primary business is providing software development services and who had no business location in NM other than in a qualified area during the period for which a deduction under this section is sought. The company must have been established after 7/1/02. Software development services include custom software design and development and web site design and development, but does not include software implementation or support services.
- Rates, Terms Must perform software development services, which are software design and development and web site design and development.
- Location Target Rural (statewide except for an incorporated municipality with a population of more than 50,000).
- Other Conditions There is language suggesting that a software development business would be disqualified if it has a business location in one of the aforementioned municipalities during any period for which the deduction is sought.
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- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-9-57.2 NMSA 1978

■ *Tax Break for Technology*

Technology Jobs Tax Credit

- Provider NM Taxation and Revenue Department
- Business Need Provides tax relief
- Description This credit has two parts: a basic credit and an additional credit, each equal to 4% of the qualified expenditures on qualified research at a qualified facility. The credit amount doubles for expenditures in facilities located in rural NM (anywhere outside Rio Rancho or more than three miles outside Bernalillo, Dona Ana, San Juan or Santa Fe counties).
- Objective Provides a favorable tax climate for technology-based companies engaged in research, development and experimentation.
- Eligible Use
 - Expenditures: Includes a wide range of unreimbursed expenses such as payroll, consultants and contractors performing work in NM, software, equipment, technical manuals, rent, operating expenses of facilities (but excludes expenditures on buildings owned by a government pursuant to an IRB or already owned by the taxpayer or an affiliate before 2/2/2000).
 - Research: Must be technological in nature and constitute elements of a process of experimentation leading to new or improved function, performance or reliability (not cosmetic, style)
 - Facility: A building or group, with land and machinery, equipment and other real or personal property used in connection with the operation of the facility; excludes national labs.
- Rates, Terms
 - Basic credit: The taxpayer claims the credit within one year following the end of the year in which the expenditure was made. The claim is made by filing a form for approval with the Tax and Revenue Department. The amount approved is applied against the taxpayer's state gross receipts, compensating and withholding liabilities until the credit is exhausted.
 - Additional credit: The taxpayer earns the additional credit by increasing its payroll. The annual payroll must increase by at least \$75,000 over the base period and by at least \$75,000 for each \$1 million in qualified expenditures (= \$40,000 in credit) it wishes to claim. The base period floats; it is defined as the 12-month period ending on the day one year prior to the day the taxpayer applies for the additional credit. The base period payroll amount is also to be adjusted for inflation so that merely keeping up with the inflation will not earn any credit. The taxpayer applies for approval of the credit by filing the

appropriate form with the tax department; approved credit amounts may be applied against the taxpayer's income or corporate income tax liability; it is not refundable so any excess of credit over liability is carried forward.

- Location Target Statewide; credit doubles for rural areas (outside the City of Rio Rancho or more than three miles outside of Bernalillo, Dona Ana, San Juan, or Santa Fe counties).
- Other Conditions Apply to the NM Taxation and Revenue Department for approval of credit amounts within 1 year of the end of the calendar year in which the expenditure occurred. The credit may be applied against state taxes due on the CRS-1 return or against income taxes. If the taxpayer or its successor in business ceases operations in NM for at least 180 days within a two-year period after a credit has been claimed, the tax department is barred from approving any additional credits, outstanding approved credit amounts are voided, and the taxpayer repays any credit taken. Downtime due to retooling, maintenance repair, and replacement of damaged facilities or labor disputes doesn't count.
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- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation *§§7-9F-1 through 7-9F-12 NMSA 1978*

■ *Tax Break for Technology*

Web Hosting Gross Receipts Tax Deduction

- Provider NM Taxation and Revenue Department
- Business Need Provides tax relief
- Description Receipts from hosting world-wide web sites may be deducted from gross receipts.
- Objective To provide a favorable tax climate for expansion of data centers
- Eligible Use World-wide web sites and companies with data centers that store information on computers and use the internet to disseminate this information.
- Rates, Terms Hosting means storing information on computers attached to the internet.
- Location Target Statewide
- Other Conditions -
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Santa Fe, NM 87504-0630
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- Website www.state.nm.us/tax/trd_pubs.htm
- Citation *§7-9-56.2 NMSA 1978*

■ ***Tax Break for Telemarketing***

Call Center Capital Equipment Tax Credit

(Capital Equipment Tax Credit Act)

- Provider NM Taxation and Revenue Department
- Business Need Tax relief on capital equipment for in-bound call center facilities
- Objective Encourage business opportunities in rural New Mexico
- Description Tax credit for the purchase of capital equipment provided to induce in-bound call centers to expand or relocate in rural New Mexico.
- Eligible Use The credit equals the state gross receipts rate times the value of eligible capital equipment. The equipment must be:
 - Used for taking in-bound calls or recording or processing messages
 - Depreciable for federal income tax purposes by the claimant
 - Purchased after July 1, 1999 and not previously used in NM
- Rates, Terms The call center itself must first locate in NM after 6/30/99 and not be related to any business performing the same functions at the same or an adjacent site. An existing call center may qualify if it expands after 6/30/99 and certifies to the Taxation and Revenue Department that its value for property tax purposes will increase by 20% over three years. The value of the eligible capital equipment purchases must equal at least \$250,000 over three years. The call center must be located in a “rural area.” The Capital Equipment Tax Credit Act sunsets 7/1/04.
- Location Target Rural NM. “Rural” is defined as anywhere outside
 - Class A county (Bernalillo, Dona Ana, San Juan, Santa Fe)
 - Class B county with valuations over \$3,000,000,000 (none)
 - Municipality of Rio Rancho and an area extending 5 miles from Rio Rancho’s boundaries
- Other Conditions The business applies for approval from the Tax and Revenue Dept. On approval, the credit is taken against the state taxes on the CRS-1 form (state gross receipts tax, compensating tax and withholding tax) until exhausted. If, within 2 years of granting a credit, the call center closes or equipment for which a credit is granted is moved from the site, the business is liable for repaying the entire amount of the credit. If the event happens after 2 years but within 4 years of the granting of the credit, 50% of the credit must be repaid.
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- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §§7-9D-1 thru 7-9D-9 NMSA 1978

■ *Tax Break for Telemarketing*

Telemarketing Gross Receipts Tax Exemption

- Provider NM Taxation and Revenue Department
- Business Need Develop the market
- Description Exempts WATS and private communication service from both the gross receipts tax and the interstate telecommunications gross receipts tax on telemarketing operations that process phone orders and inquiries.
- Objective Expand presence of call centers in New Mexico
- Eligible Uses Exemptions for WATS and private communications services
- Rates, Terms Receipts from WATS (wide area telephone service) and private communications services are exempted from gross receipts tax and interstate telecommunications gross receipts tax act.
- Industry Target Telemarketing, mail-order sales, customer service operations.
- Other Conditions Wide-area telephone service means a telephone service that entitles a subscriber to either make or receive large volumes of communications to or from persons in specified geographical areas. Subscribers pay a flat rate charge, which depends on the total duration of all such calls and the subscriber's selected geographic area.
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- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-9-38. *INMSA 1978*; §7-9C-6 *NMSA 1978*

■ ***Tax Break for Tribal Land***

Tribal Land Business Tax Credit

- Provider New Mexico Taxation and Revenue Department
- Business Need Provide tax relief
- Description A corporation engaged in growing, processing or manufacturing may receive a credit for up to 50% of the total of all taxes imposed by an Indian nation, tribe or pueblo located wholly or partly in NM on income derived from new business activity on Indian land.
- Objective Stimulate economic development
- Eligible Use Businesses in leased facilities are ineligible.
- Rate, Terms This credit is limited to income from a new business established on tribal land after 7/1/97. The credit is non-refundable, and can be applied against the existing tax liabilities only; an excess can be carried forward.
- Location Target Indian land
- Industry Target Growing, processing or manufacturing
- Other Conditions Exception – a tax eligible for any other tax credit that provides a similar tax credit is excluded from the total of taxes counted for the Intergovernmental Business Tax Credit. Such taxes are Oil and Gas Severance Tax, Oil and Gas Conservation Tax, Oil and Gas Emergency School Tax, or the Oil and Gas Ad Valorem Production Tax on products severed from Indian tribal land, or a tax imposed on the privilege of severing products from Indian tribal land.
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- Fax 505-827-0331
- Website www.state.nm.us/tax/trd_pubs.htm
- Citation §7-2A-16 NMSA 1978

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