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FISCAL IMPACT REPORT

SPONSOR: Sanchez, R.G. DATE TYPED: 03/29/00 HB 19
 SHORT TITLE: Technology Jobs Tax Credit Act SB _____
 ANALYST: Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
	\$ (6,600.0)	\$ (7,100.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to _____

SOURCES OF INFORMATION

LFC files
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Authorizes two credits, each equal to 4% of qualified expenditures, for qualified research at a qualified facility. Eligible expenditures are limited to those not reimbursed by a third-party, and must be made after the effective date. Expense for equipment used in conjunction with an industrial revenue bond project or which has received a credit under the Capital Equipment Tax Credit Act or the Investment Credit Act would not be eligible. Base payroll is allowed to escalate for inflation.

These credits are doubled if the firm is located in a rural area. The credits are split if a married couple files separately. The credits can be rolled over.

The first credit, the "basic credit", can be applied against gross receipts, compensating and withholding taxes. The second credit, the "additional credit", would be available if payroll increases by at least \$75,000 over the base payroll expense and if there is at least a \$75,000 increase in payroll expense for every \$1,000,000 of expenditure claimed. The second credit can be taken against personal or corporate income taxes.

The recapture language indicates if the taxpayer or successor in business ceases operation in New Mexico for at least one hundred eighty consecutive days within a two year period after the taxpayer claimed the basic or additional credit at a given facility, then the taxpayer would no longer be eligible for the credit. Any amounts not claimed would be eliminated. Then, within

thirty days, the taxpayer must repay any credits taken. Reasonable periods for maintenance or retooling or for the repair or replacement of facilities damaged or destroyed or during the continuance of labor disputes are exempted.

Beginning October 2003, TRD must report annually to the LFC and RSTP committees on the fiscal and economic impacts of the Technology Jobs Tax Credit Act using the most recent available data for two prior fiscal years.

FISCAL IMPLICATIONS

TRD estimates General Fund recurring revenue loss of \$6,600.0 in FY01 and \$7,100.0 in FY02.

TECHNICAL ISSUES

TRD notes carry-forward should be limited to no more than five years.

AW/gm