

LFC Requester: _____

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment** _____
Correction _____ **Substitute** _____

Date 1/20/24
Bill No: SB107

Sponsor: William E. Sharer
Short Title: Increase and Refundable Rural
Job Tax Credit

Agency Name and Code Number: Economic Development Department
41900
Person Writing Jennifer Myers
Phone: 505-660-5371 **Email:** Jennifer.myers@edd.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------|------------------------------|------------------|
| FY24 | FY25 | | |
| | | | |
| | | | |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|------|------|---------------------------------|------------------|
| FY24 | FY25 | FY26 | | |
| | | | | |
| | | | | |

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY24 | FY25 | FY26 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|-------------|-------------|-------------|------------------------------|--------------------------------------|--------------------------|
| Total | | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Senate Bill 107 (SB107) revises the current Rural Job Tax Credit, which provides a credit for eligible rural employers for wages paid to eligible employees for each qualifying job the employer creates after July 1, 2000. The credit is based on the rural location within the state of New Mexico, with the rural area divided into two tiers:

- Tier 2 = Non-metro area municipalities that exceed 15,000 in population: Alamogordo, Carlsbad, Clovis, Gallup, Los Lunas, Sunland Park, and Hobbs;
- Tier 1 = Everywhere else in a rural area

SB107 increases the qualified wages for which a credit may be claimed from \$16,000 to \$32,000. For a job performed or based at a location in a Tier 1 area, a twenty-five percent credit may be claimed of the first thirty-two thousand dollars (\$32,000) in wages paid for the qualifying job, with the credit able to be taken for four years. For a job performed or based at a location in a Tier 2 area, a twelve and one-half percent credit may be claimed of the first thirty-two thousand dollars (\$32,00) in wages paid for the qualifying job, with the credit able to be taken for two years.

SB107 also revises the Rural Job Tax Credit to make the credit refundable to the taxpayer, allowing for any credit balance to be refunded to the taxpayer instead of the balance being carried forward or transferred. Currently the credit can be transferred or carried forward for 3 years.

Rural New Mexico is defined as any part of the state other than Los Alamos County, Albuquerque, Rio Rancho, Farmington, Las Cruces, Roswell, and Santa Fe and a 10-mile zone around those municipalities.

A qualifying job is a job filled by an eligible employee for 44 weeks in a 12-month qualifying period. The eligible entity may claim all or a portion of the rural job tax credit granted by the tax credit document against the taxpayer's modified combined tax liability, personal income tax liability or corporate income tax liability. To receive a rural job tax credit with respect to any qualifying period, an eligible employer shall apply to the taxation and revenue department once per calendar year on forms and in the manner the department may prescribe.

FISCAL IMPLICATIONS

The Rural Job Tax Credit aligns with the Economic Development Department's mission to improve the lives of New Mexico families by increasing economic opportunities and providing a place for businesses to thrive. Despite the Rural Job Tax Credit being the only tax credit specific to the rural areas of New Mexico, the credit has not increased since its inception. Increasing the amount of wages for which the Rural Job Tax Credit may be claimed will better align the credit with the cost of creating a new job and increase economic activity in rural areas, stimulating the manufacturing industry specifically. Manufacturing job growth stimulates other sectors, such as real estate and retail, in addition to increasing tax revenue.

The Rural Job Tax Credit is one of several tax credits that the Economic Development Department utilizes to recruit business to the state, in addition to being available to existing businesses in rural areas of New Mexico. Revising the tax credit to make it refundable would increase the likelihood of the credit being utilized by a rural business and make manufacturing in rural areas more attractive, in addition to reducing the administrative burden of implementing the credit.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS