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HOUSE BILL 347

43RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 1998

INTRODUCED BY

G. X. McSHERRY

AN ACT

RELATING TO TAXATION; CREATING THE RURAL JOB TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. TAX CREDIT--RURAL JOB TAX CREDIT. --

A. The tax credit created by this section may be referred to as the "rural job tax credit". Until June 30, 2004, every eligible employer may apply for, and the taxation and revenue department may allow, a tax credit for each qualifying job the employer creates in the period beginning July 1, 1998 and ending June 30, 2003. The maximum tax credit amount with respect to each qualifying job is equal to:

(1) twenty-five percent of the first sixteen thousand dollars (\$16,000) in wages paid for the qualifying job if the job is performed or based at a location in a tier one area; or

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1 (2) twelve and one-half percent of the first
2 sixteen thousand dollars (\$16,000) in wages paid if the
3 qualifying job is performed or based at a location in a tier
4 two area.

5 B. As used in this section:

6 (1) "eligible employee" means any individual
7 other than an individual who:

8 (a) bears any of the relationships
9 described in Paragraphs (1) through (8) of 26 U.S.C. Section
10 152(a) to the employer or, if the employer is a corporation,
11 to an individual who owns, directly or indirectly, more than
12 fifty percent in value of the outstanding stock of the
13 corporation or, if the employer is an entity other than a
14 corporation, to any individual who owns, directly or
15 indirectly, more than fifty percent of the capital and profits
16 interests in the entity;

17 (b) if the employer is an estate or
18 trust, is a grantor, beneficiary or fiduciary of the estate or
19 trust or is an individual who bears any of the relationships
20 described in Paragraphs (1) through (8) of 26 U.S.C. Section
21 152(a) to a grantor, beneficiary or fiduciary of the estate or
22 trust; or

23 (c) is a dependent, as that term is
24 described in 26 U.S.C. Section 152(a)(9), of the employer or,
25 if the taxpayer is a corporation, of an individual who owns,

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1 directly or indirectly, more than fifty percent in value of
2 the outstanding stock of the corporation or, if the employer
3 is an entity other than a corporation, of any individual who
4 owns, directly or indirectly, more than fifty percent of the
5 capital and profits interests in the entity or, if the
6 employer is an estate or trust, of a grantor, beneficiary or
7 fiduciary of the estate or trust;

8 (2) "eligible employer" means an employer
9 who has been approved for in-plant training assistance
10 pursuant to Section 21-19-7 NMSA 1978;

11 (3) "metropolitan statistical area" means a
12 metropolitan statistical area in New Mexico as determined by
13 the United States bureau of the census;

14 (4) "modified combined tax liability" means
15 the total liability for the reporting period for gross
16 receipts tax imposed by Section 7-9-4 NMSA 1978 together with
17 any tax collected at the same time and in the same manner as
18 that gross receipts tax, such as the compensating tax, the
19 withholding tax, the interstate telecommunications gross
20 receipts tax, the surcharges imposed by Section 63-9D-5 NMSA
21 1978 and the surcharge imposed by Section 63-9F-11 NMSA 1978,
22 minus the amount of any credit other than the rural job tax
23 credit applied against any or all of these taxes or
24 surcharges; but "modified combined tax liability" excludes all
25 amounts collected with respect to local option gross receipts

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1 taxes;

2 (5) "qualifying job" means a job established
3 by the employer that:

4 (a) qualifies for in-plant training
5 assistance; and

6 (b) is occupied by an eligible employee
7 for at least forty-eight weeks of a qualifying period;

8 (6) "qualifying period" means the period of
9 twelve months beginning on the day an eligible employee begins
10 working in a qualifying job or the period of twelve months
11 beginning on the anniversary of the day an eligible employee
12 began working in a qualifying job;

13 (7) "rural area" means any part of the state
14 other than:

15 (a) an H class county;

16 (b) the state fairgrounds;

17 (c) an incorporated municipality within
18 a metropolitan statistical area if the municipality's
19 population is thirty thousand or more according to the most
20 recent federal decennial census; and

21 (d) any area within ten miles of the
22 exterior boundaries of a municipality described in
23 Subparagraph (c) of this paragraph;

24 (8) "tier one area" means any municipality
25 within the rural area if the municipality's population

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1 according to the most recent federal decennial census is
2 fifteen thousand or less;

3 (9) "tier two area" means any part of the
4 rural area not a tier one area; and

5 (10) "wages" means wages as defined by
6 Paragraphs (1), (2) and (3) of 26 U. S. C. Section 51(c).

7 C. The amount of the rural job tax credit shall be
8 six and one-fourth percent of the first sixteen thousand
9 dollars (\$16,000) in wages paid for the qualifying job in a
10 qualifying period. The rural job tax credit may be claimed
11 for each qualifying job for a maximum of:

12 (1) four qualifying periods for each
13 qualifying job performed or based at a location in a tier one
14 area; and

15 (2) two qualifying periods for each
16 qualifying job performed or based at a location in a tier two
17 area.

18 D. With respect to each qualifying job for which
19 an eligible employer seeks the rural job tax credit, the
20 employer shall request the economic development department to
21 certify the amount of wages paid to each eligible employee
22 during each qualifying period, the number of weeks during the
23 qualifying period the position was occupied and whether the
24 qualifying job was in a tier one or tier two area. The
25 economic development department may require the employer to

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1 submit such information as is necessary for the economic
2 development department to make the certification requested.
3 When the economic development department obtains sufficient
4 information, either from its own records or from the employer,
5 the economic development department shall make the
6 certification requested.

7 E. The economic development department shall
8 determine which employers are eligible employers and shall
9 report the listing of eligible businesses to the taxation and
10 revenue department in a manner and at times the departments
11 shall agree upon.

12 F. To receive a rural job tax credit with respect
13 to any qualifying period, an eligible employer must apply to
14 the taxation and revenue department on forms and in the manner
15 the department may prescribe. The application shall include a
16 copy of the certification from the economic development
17 department made pursuant to Subsection D of this section. If
18 all the requirements of this section have been complied with,
19 the taxation and revenue department may issue to the applicant
20 a document granting a tax credit for the respective qualifying
21 period. The tax credit document shall be numbered for
22 identification and declare its date of issuance and the amount
23 of rural job tax credit allowed for the respective jobs
24 created. Such tax credit documents may be sold, exchanged or
25 otherwise transferred and can be carried forward for a period

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1 of three years from the date of issuance. The parties to such
2 a transaction shall notify the department of the sale,
3 exchange or transfer within ten days of the sale, exchange or
4 transfer.

5 G. The holder of the tax credit document may apply
6 all or a portion of the rural job tax credit granted by the
7 document against the holder's modified combined tax liability,
8 personal income tax liability or corporate income tax
9 liability. Any balance of rural job tax credit granted by the
10 document may be carried forward for up to three years from the
11 date of issuance of the tax credit document. No amount of
12 rural job tax credit may be applied against a gross receipts
13 tax imposed by a municipality or county.

14 H. Notwithstanding the provisions of Section 7-1-8
15 NMSA 1978, the taxation and revenue department may disclose to
16 any person the balance of rural job tax credit remaining on
17 any tax credit document and the balance of credit remaining on
18 that document for any period.

19 I. The secretary of economic development, the
20 secretary of taxation and revenue and the secretary of labor
21 or their designees shall annually evaluate the effectiveness
22 of the rural job tax credit in stimulating economic
23 development in the rural areas of New Mexico and make a joint
24 report of their findings to each session of the legislature so
25 long as the rural job tax credit is in effect.

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Section 2. CONTINUED APPLICABILITY OF RURAL JOB TAX CREDIT.--The balance of any rural job tax credit granted with respect to qualifying periods occurring after July 1, 2004 or remaining on a tax credit document issued prior to that date may be applied after that date in the manner provided in Section 1 of this act against the holder's modified combined tax liability or corporate or personal income tax liability as if the provisions of Section 1 of this act were still in effect.

Section 3. DELAYED REPEAL.--Section 1 of this act is repealed on July 1, 2004.

Section 4. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 1998.

1 FORTY-THIRD LEGISLATURE

2 SECOND SESSION, 1998

3
4
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6 February 5, 1998

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8 Mr. Speaker:

9
10 Your BUSINESS AND INDUSTRY COMMITTEE, to whom has
11 been referred

12
13 HOUSE BILL 347

14
15 has had it under consideration and reports same with
16 recommendation that it DO PASS, amended as follows:

17 1. On page 1, line 20, after the period strike the
18 remainder of the line, strike all of lines 21 through 25 and on
19 page 2, strike all of lines 1 through 4, and insert in lieu
20 thereof the following new subsection:

21
22 "B. The amount of the rural job tax credit shall be
23 six and one-fourth percent of the first sixteen thousand dollars
24 (\$16,000) in wages paid for the qualifying job in a qualifying
25 period. The rural job tax credit may be claimed for each
qualifying job for a maximum of:

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(1) four qualifying periods for each qualifying
job performed or based at a location in a tier one area; and

(2) two qualifying periods for each qualifying
job performed or based at a location in a tier two area."

2. Reletter succeeding subsections accordingly.

3. On page 3, line 9, strike "approved for" and insert in
lieu thereof "awarded".

4. On page 4, line 2, after "job" insert a colon and the
subparagraph designation "(a)".

5. On page 4, line 3, strike "that" and insert in lieu
thereof "who has been awarded".

6. On page 4, line 4, strike "(a) qualifies for".

7. On page 4, line 6, strike "is".

8. On page 5, line 2, strike "fifteen" and insert in lieu
thereof "twenty".

9. On page 5, lines 7 through 17, strike Subsection C in

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its entirety.

10. Reletter succeeding subsections accordingly.,

and thence referred to the TAXATION AND REVENUE
COMMI TTEE.

Respectfully submit ted,

Fred Luna, Chair man

Adopted _____
(Chi ef Clerk)

Not Adopted _____
(Chi ef Clerk)

Date _____

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4 The roll call vote was 7 For 0 Against

5 Yes: 7

6 Excused: Alwin, Olguin, J. G. Taylor, Varela, Rodella

7 Absent: Getty

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