

Revenue Stabilization & Tax Policy Committee Hearing December 18, 2019

Main Street Fire Suppression Tax Credit

Main Street Fire Suppression Tax Credit Legislation:

- Creates the main street fire suppression equipment tax credit
- Creates the main street fire suppression equipment tax credit fund
- Allocates a one-time \$1 million distribution to the main street fire suppression equipment tax credit fund



Need for Fire Suppression Tax Credit

- Many rural downtowns across New Mexico face a serious challenge in repurposing existing structures
- The ever growing shift of “dry-goods” retail to the internet and the migration of offices out of downtown results in numerous empty structures in the “Main Street” areas of New Mexico municipalities
- These buildings can take on a new life as centers of dining, entertainment, and downtown residential



- Most rural downtowns have structures that are 50 or more years old
 - Many of these buildings do not comply with modern fire safety requirements
 - To retrofit these facilities is expensive
 - It costs approximately \$7 to \$16 per square foot to retrofit an existing structure with fire suppression
 - To bring a modest 10,000 square foot building into compliance would cost between \$70,000 and \$160,000 depending on the age, condition, and historic nature of the building



- Safety enhancements are prudent and appropriate though they do nothing to enhance a business's ability to thrive
 - These costs, imposed by the state fire code, make it more difficult for a restaurant or similar operation to succeed
 - Any residential above the ground floor also requires fire suppression; thus unused office space that could provide vibrant downtown housing often sits empty
- Proposed legislation would provide financial incentives for business owners, property owners, and developers to activate vacant and underutilized buildings in rural downtowns and commercial districts that would otherwise remain vacant



Main Street Fire Suppression Tax Credit Legislation:

- Creates a state tax credit for “qualified main street businesses” retrofitting existing structures with fire suppression equipment
 - “Qualified main street business” means a business located in a Class B County and within the designated boundaries of a Main Street or Arts & Cultural District Program
 - The proposed tax credit would be capped at \$1 million and paid through a one-time distribution to a fund used for the cost of the credit
- The tax credit would allow rural businesses to receive a tax credit of 50% of their total costs for the purchase and installation of qualified fire suppression equipment
 - \$50,000 cap per qualified business
 - Installation of equipment must be certified by state fire marshal

Main Street Fire Suppression Tax Credit Legislation:

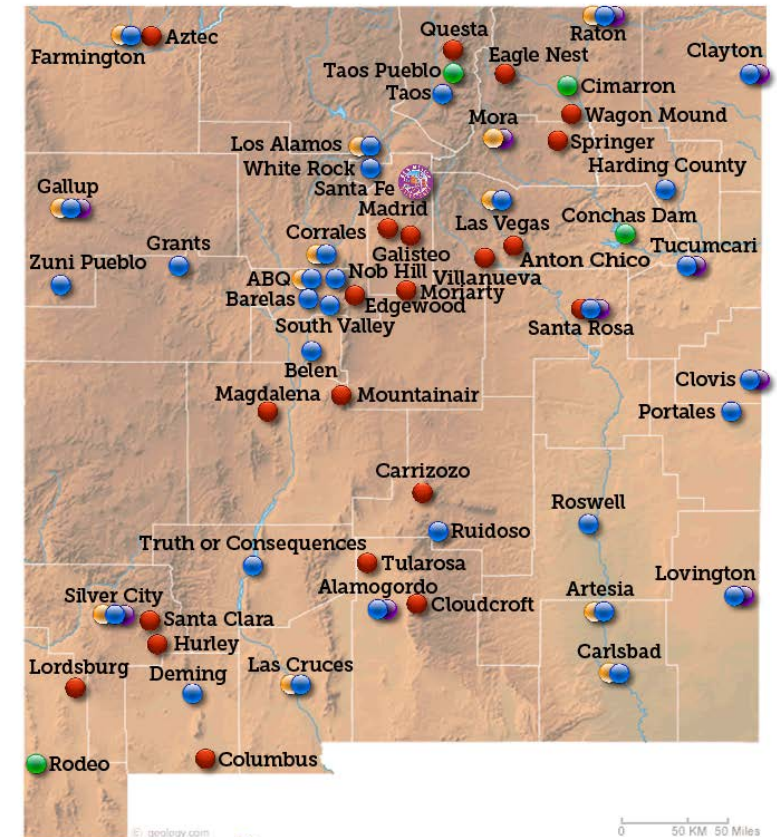
- The tax credit can be applied toward a company's modified combined tax liability for the taxable period the installation of the qualified fire suppression equipment was completed
 - Unused tax credit may be carried forward to succeeding taxable periods for five consecutive years
 - "Modified combined tax liability" excludes all amounts collected with respect to local option gross receipts and compensating taxes



Thank you for your continued support

- 30 MainStreet Programs
- 12 Arts & Cultural Districts
- 28 Frontier & Native American Community Initiative Projects
- 8 Historic Theater Restorations

2019 NMMS Map of Communities
(As of January 2019)



- Active NM MainStreet Communities
- State-Authorized and Start-Up Arts & Cultural Districts
- Frontier Community Projects (Active)
- Frontier Community Projects (Completed)
- Historic Theaters