



EDD

ECONOMIC DEVELOPMENT DEPARTMENT

Tax Incentives Update

Presented to the **Revenue Stabilization & Tax Policy Committee**

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Ryan Eustice, Senior Economist

Shane Shariff, Film Office Economist

www.EDD.NewMexico.gov

www.NMFilm.com

Incentives Covered



- Investment Tax Credit
- Local Economic Development Act GRT Share
- High Wage Jobs Tax Credit
- Rural Jobs Tax Credit
- Locomotive Fuel Tax Deduction
- Film Tax Credit

A two-story adobe-style house with a covered porch. The house has a light-colored stucco exterior and several windows with dark wood frames. The porch is supported by white columns and has a decorative geometric pattern on the wall. The house is set against a clear blue sky.

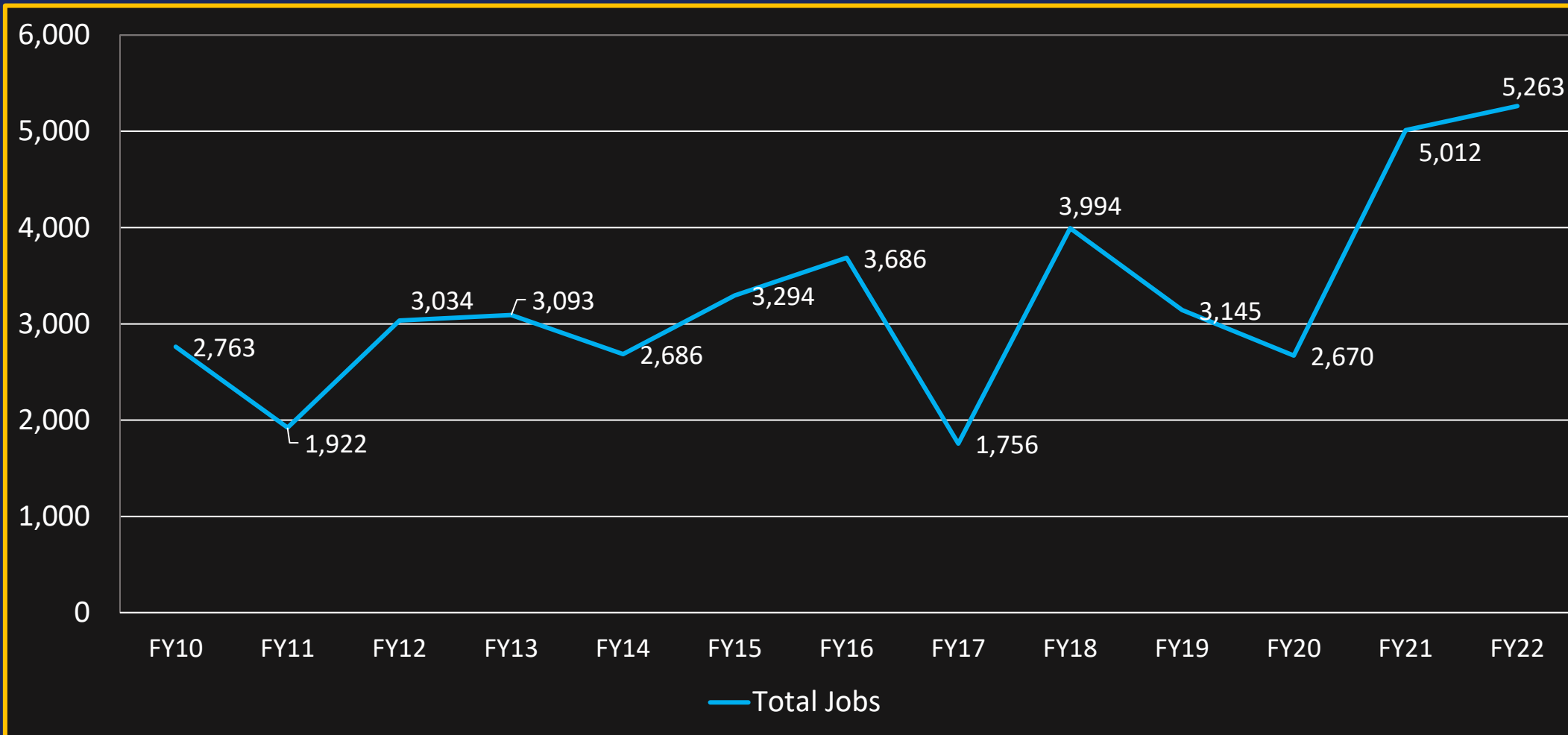
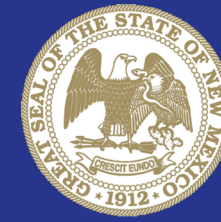
OUR MISSION:

Improve the lives of New Mexico families by increasing economic opportunities and providing a place for businesses to thrive.

OUR PHILOSOPHY

- Invest in disruptive research and innovative companies
- Train New Mexicans for 21st Century jobs
- Plan for the next 20 years: targeted growth and economic diversity
- Devote special attention to underserved areas

Total Job Creation by Fiscal Year 2010 - 2022



FY21 & FY22 job creation was the highest in well over a decade!

Investment Tax Credit (ITC)*

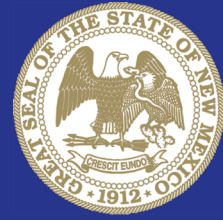
Created to provide a favorable tax climate for manufacturers, promoting increased employment in New Mexico.

❖ *Only 8 states tax manufacturing equipment*

How it works:

- ❖ Manufacturers may take a credit against the sum of the gross receipts or compensating tax rates and any municipal or county local option rates multiplied by the value of qualified equipment.
- ❖ The rate of 5.125% is used when the qualified equipment is not subject to the gross receipts tax or compensating tax.

**Administered by the Taxation & Revenue Department*



Qualified Equipment for ITC

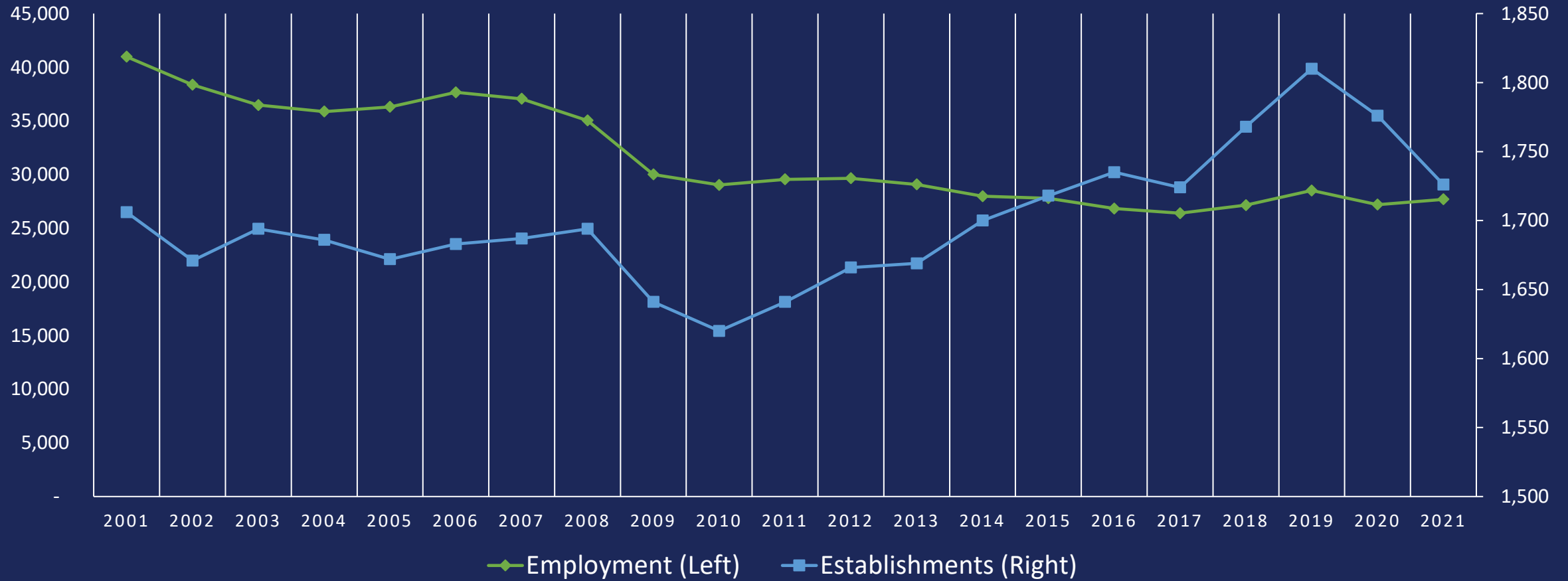
Qualified equipment includes equipment not previously used in New Mexico and not previously approved for a NM tax credit, and is to be incorporated within one year into a manufacturing operation, and owned by:

- ❖ Taxpayer
- ❖ United States or an agency or instrumentality thereof the state or a political subdivision thereof and leased or subleased to the taxpayer

Taxpayer Eligibility for ITC

- ❖ Taxpayer shall employ the equivalent of one full-time employee who has not been counted to meet this employment requirement for a previous claim:
 - ❖ For every \$750,000 of equipment, 1 FTE must be added up to \$30 million in investment
 - ❖ For amounts exceeding \$30 million, 1 FTE must be added for each \$1 million in investment
- Credit must be applied for within one year following the end of the calendar year in which the qualified equipment for the manufacturing operation is purchased or introduced into New Mexico

Manufacturing Employment & Establishments



Source: US Bureau of Labor Statistics

LEDA GRT Share

The Local Economic Development Act, or LEDA, is a discretionary tool administered by the Executive Branch.

LEDA facilitates both recruitment and job creating expansions of existing companies.

Provides a reimbursement for costs associated with land, building improvements and infrastructure.

LEDA investment is tied to job creation, key development and performance milestones.

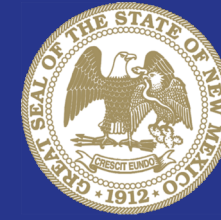
The full amount of the LEDA award is collateralized and spelled out specifically, including clawback provisions, through a PPA with the company and an IGA between the state and local government.

LEDA Gross Receipts Tax (GRT) Sharing



- ❖ Only applied to projects with \$350M+ in construction costs
 - ❖ This amount applies to construction only and does not include other capital investments.
- ❖ All taxing authorities must agree to the GRT share based upon the location
- ❖ GRT share is 50% of the GRT collected
 - ❖ Only General Funds are impacted
 - ❖ City or county GRT that is dedicated to a specific purpose or pledged for financing are not subject to the agreements.
 - ❖ The funds are collected by TRD and verified to be part of the project before they are distributed back to the LEDA fund for disbursement.

GRT Share Example (Project Size = \$400M)



STATE OF NEW MEXICO	
GRT Share Rate:	3.775%
GRT Share:	50%
GRT Share Collected:	\$7,550,000

VALENCIA COUNTY	
County wide rate (General Fund)	0.9375%
Health Care	0.0625%
Emergency Communications	0.25%
Regional Transit	0.125%
County Total	1.375%
GRT Share	50%
GRT Share Collected:	\$1,875,000

VILLAGE OF LOS LUNAS	
Village GRT Rate	3.4%
GRT Share	50%
GRT Share Collected	\$6,800,000

STATE COLLECTED	\$15,100,000
GRT money in LEDA Fund	\$7,550,000
State General Fund	\$7,550,000
COUNTY COLLECTED	\$5,500,000
GRT money in LEDA Fund	\$1,875,000
County General Fund	\$1,875,000
CITY COLLECTED	\$13,600,000
GRT money in LEDA Fund	\$6,800,000
City General Fund	\$6,800,000

High Wage Jobs Tax Credit (HWJTC*)

- ❖ Originally enacted in 2004
- ❖ Provides an incentive for businesses to create and fill new jobs in New Mexico
- ❖ Credit may be taken for each new high-wage economic base job and is equal to 8.5% of the wages

Qualified employers are those eligible for JTIP

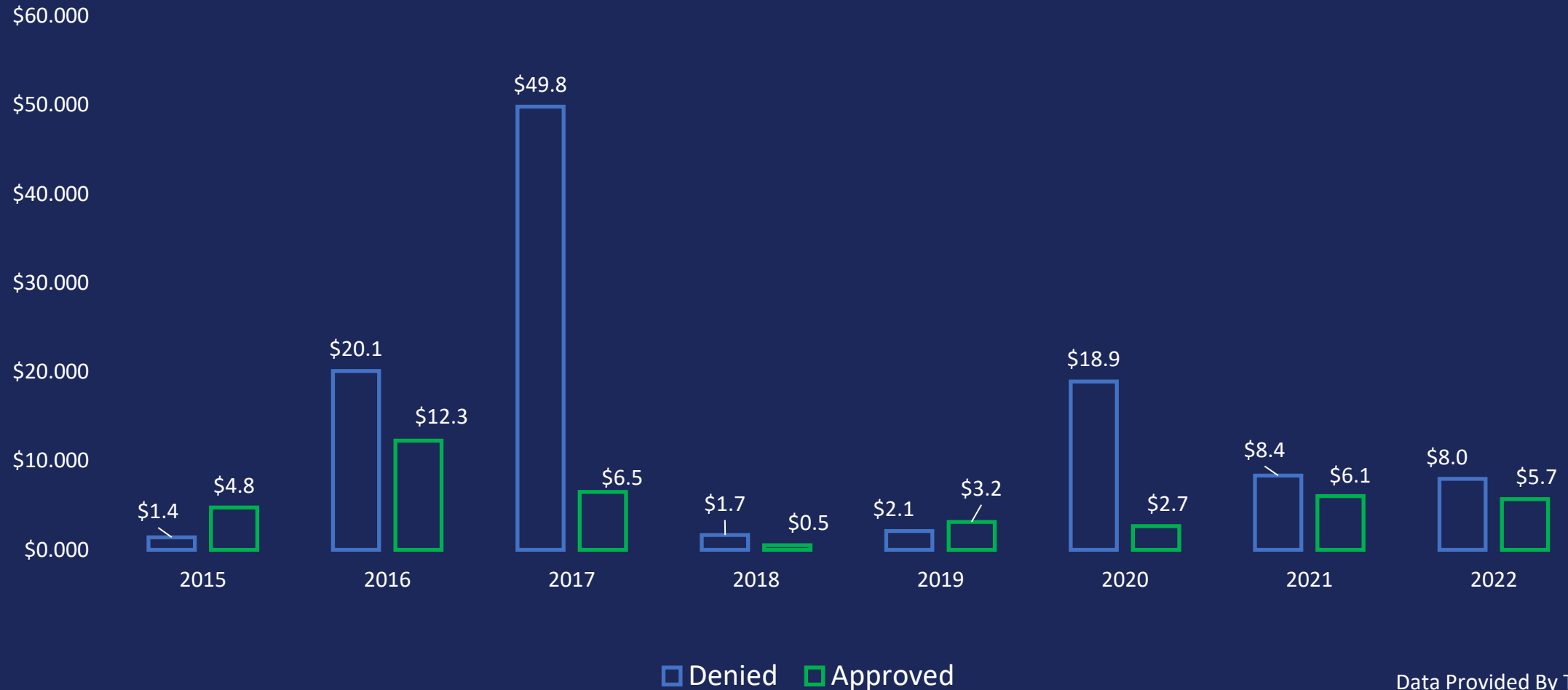
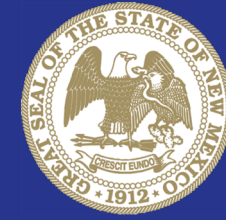
- ❖ Credit may be taken for up to 4 years
- ❖ Applied to the state portion of gross receipts, compensating, and withholding taxes
- ❖ The credit is capped at \$12,750 per year, per job

**Administered by the Taxation & Revenue Department*

HWJTC Qualified Jobs

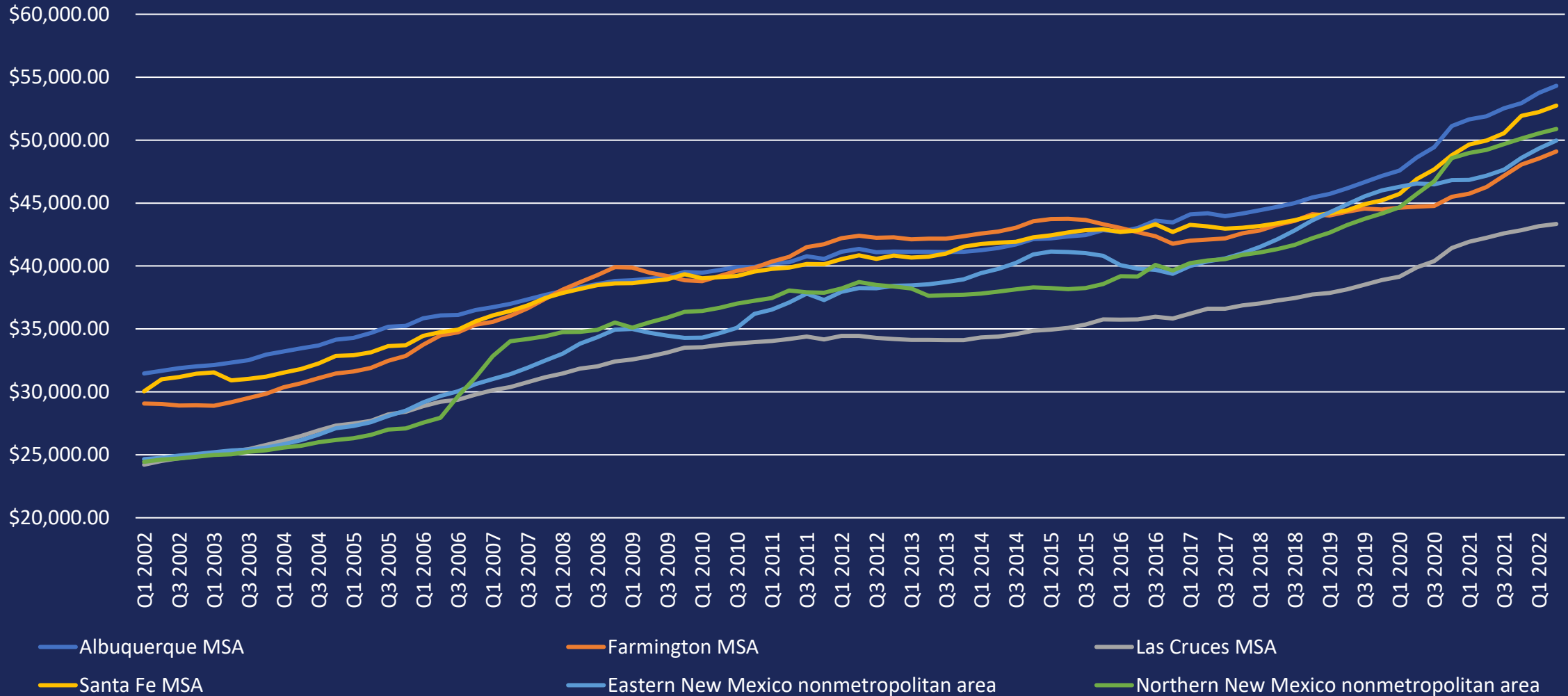
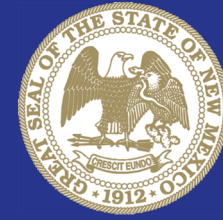
- ❖ Pay at least \$40,000 per year in a community with a population of less than 60,000
- ❖ Pay at least \$60,000 per year in a community with a population of 60,000 or more:
 - ❖ Albuquerque
 - ❖ Las Cruces
 - ❖ Rio Rancho
 - ❖ Santa Fe
- ❖ Must be occupied by employee for at least 44 weeks by the employee

HWJTC Claims Approved vs. Denied (in millions)



Data Provided By TRD

Annual Wages in New Mexico



Rural Jobs Tax Credit (RJTC)*

- ❖ Originally enacted in 2007
- ❖ Amended in 2013 & 2021 to clarify the definitions of qualifying jobs and wages, and expand the intended purpose
- ❖ Encourages businesses to grow in rural areas of the state

Qualified employers are those eligible for JTIP

- ❖ Credit can be applied to PIT or CIT
- ❖ NOT GRT or compensating tax
- ❖ Any unclaimed balance may be carried forward for 3 years

RJTC Specifics



Rural New Mexico is defined as any part of the state other than:

- ❖ Albuquerque
- ❖ Farmington
- ❖ Las Cruces
- ❖ Los Alamos County
- ❖ Roswell
- ❖ Santa Fe
- ❖ And a 10-mile zone around these cities

Rural areas are divided into two tiers:

Tier 2 = Nonmetro municipalities that exceed 15,000 in population:

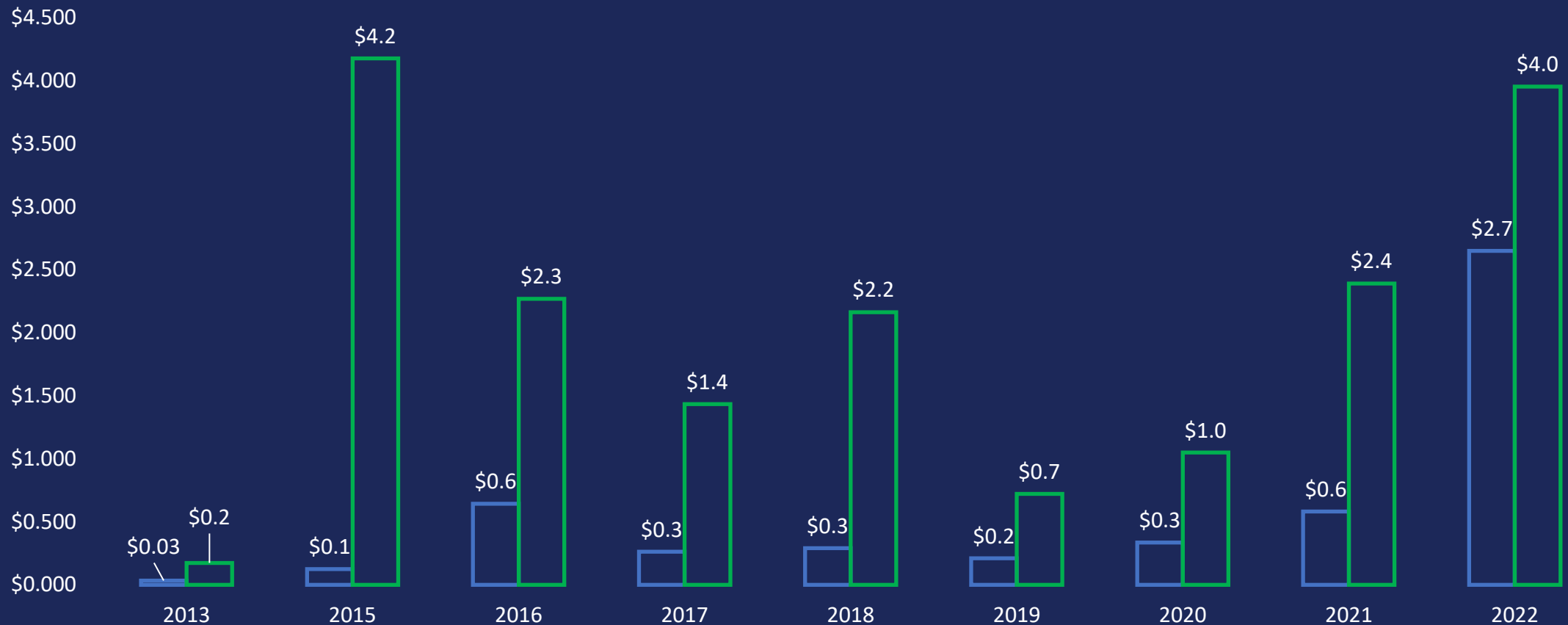
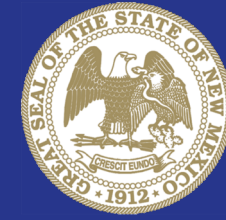
- ❖ Alamogordo
- ❖ Carlsbad
- ❖ Clovis
- ❖ Gallup
- ❖ Hobs
- ❖ Los Lunas
- ❖ Sunland Park

Tier 1 = Everywhere else in a rural area

The maximum tax credit amount with respect to each qualifying job is equal to:

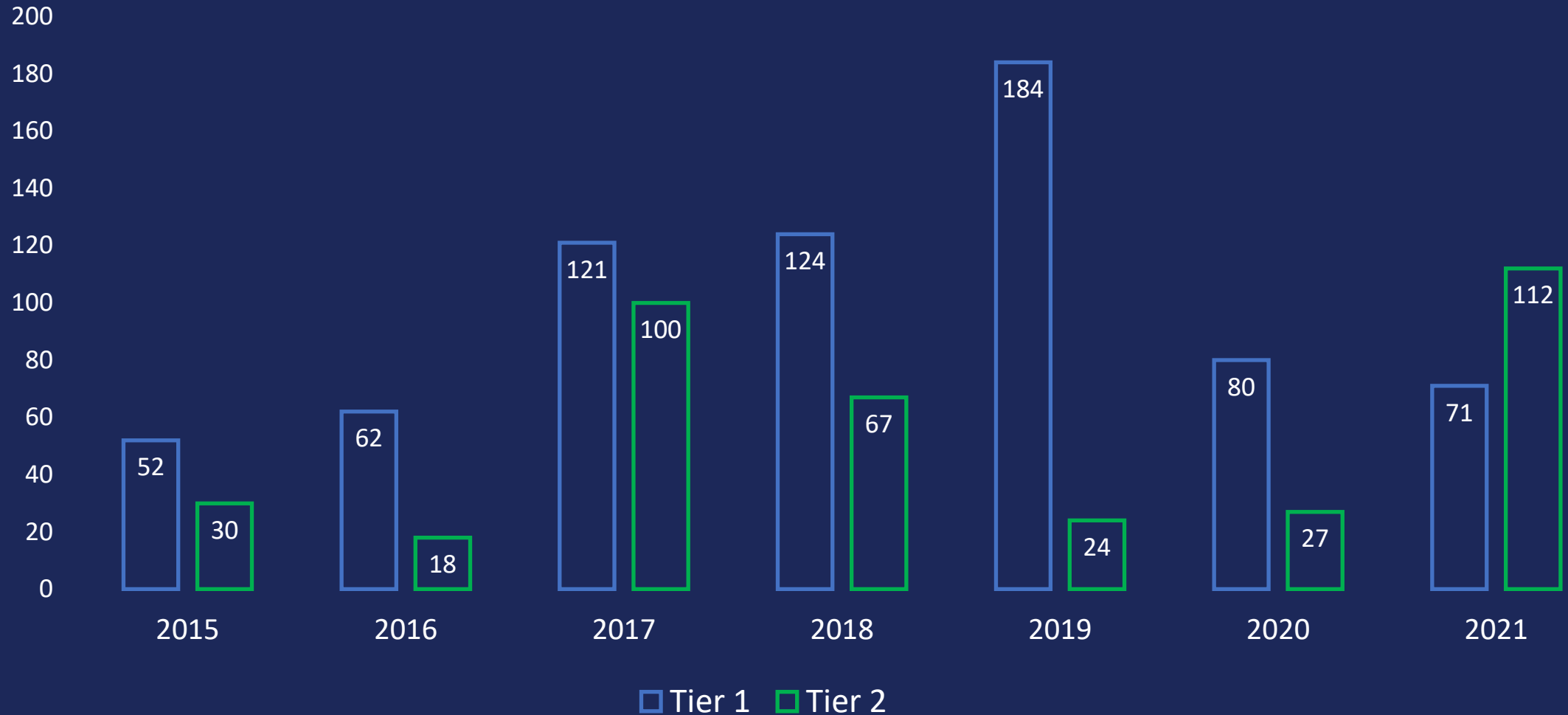
- ❖ **Tier 1:** \$1,000 per year for 4 years
- ❖ **Tier 2:** \$1,000 per year for 2 years

RJTC Claims Approved vs. Denied (in millions)



■ Denied ■ Approved

Rural Jobs Tax Credit Claims Approved by Tier



Locomotive Fuel Tax

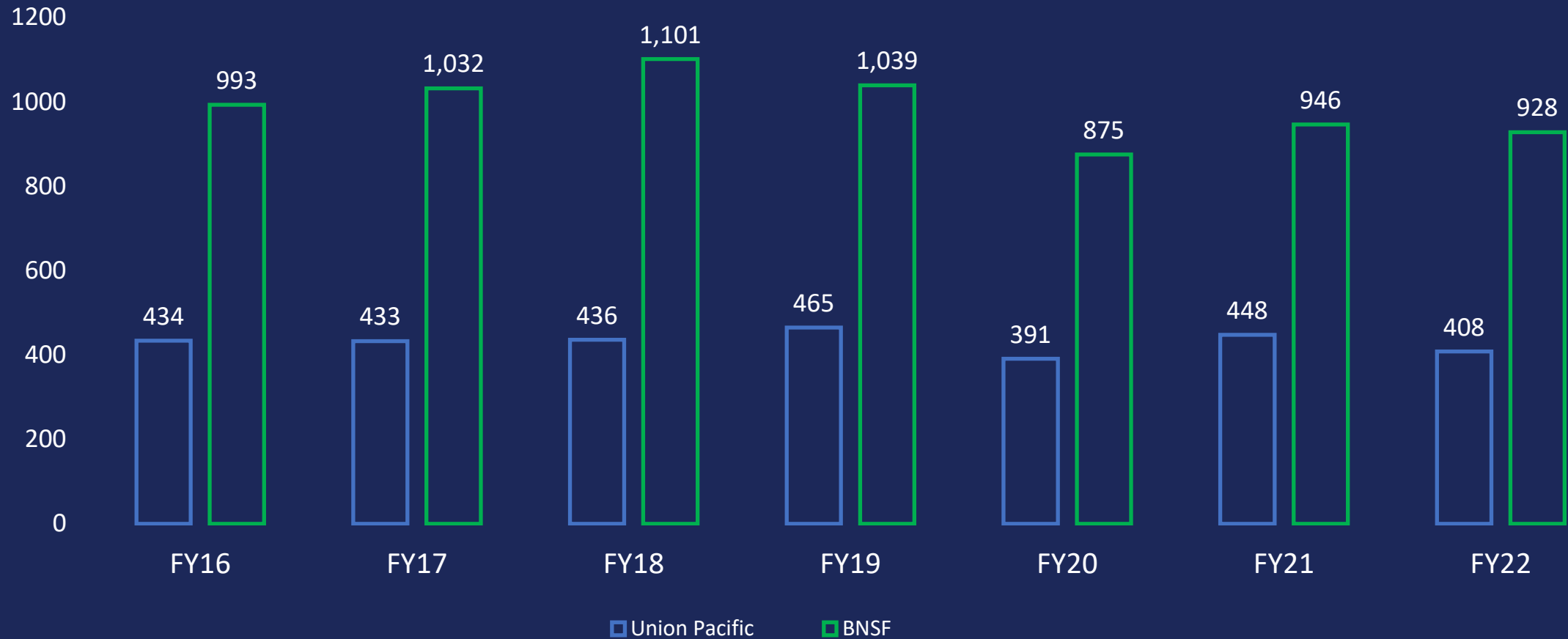
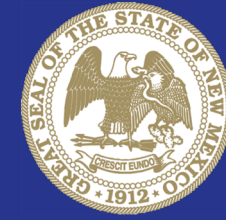
- ❖ Originally enacted in 2011
- ❖ Encourages “the construction, renovation, maintenance and operation of railroad locomotive refueling facilities and other railroad capital investments in New Mexico”
- ❖ Two key dates to be eligible for the deductions:
 - ❖ A capital investment of \$100 million or more in new construction or renovation at the railroad locomotive refueling facility where the fuel is loaded or used after July 1, 2011, or
 - ❖ Make a capital investment of \$50 million or more in new railroad infrastructure improvements, including railroad facilities, track signals and supporting railroad network, located in NM on or after July 1, 2012
 - ❖ New railroad infrastructure improvements cannot be required by a regulatory agency to correct problems such as regular maintenance specifically identified by that agency as requiring necessary corrective action

Annual Reporting & Statutory Language



- ❖ Beginning in 2019, the legislation requires an effectiveness study every 6 years
- ❖ EDD & TRD estimate the amount of state revenue that is attributable to all railroad activity related to the deduction
- ❖ The information included is self-reported
- ❖ Receipts from the sale of fuel to a common carrier to be loaded or used in a locomotive engine are deductible from gross receipts.
(7-9-110.1 NMSA 1978)
- ❖ The value of fuel to be loaded or used by a common carrier in a locomotive engine is deductible when computing the compensating tax due.
(7-9-110.2 NMSA 1978)

Jobs by Company



Compensating and GRT Relief



	Union Pacific			BNSF		
	FY20	FY21	FY22	FY20	FY21	FY22
Compensating Tax	\$8,100,000	\$11,500,000	\$13,100,000	\$2,204,007	\$1,384,580	\$3,420,585
Gross Receipts Tax	0	0	0	\$4,938,442	\$4,474,383	\$9,688,042
TOTAL	\$8,100,000	\$11,500,000	\$13,100,000	\$7,142,449	\$6,158,963	\$13,108,627

Film Tax Credit

For direct production and direct postproduction expenditures made in New Mexico that are subject to taxation by the state and directly attributable to the production of a film or commercial audiovisual

❖ 25-35% Refundable Tax Credit

❖ 5% uplifts

- ❖ Television series
- ❖ Qualified production facilities
- ❖ Rural Filming

❖ Eligible expenses

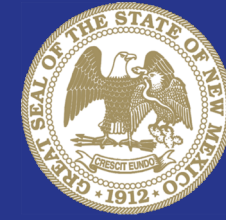
- ❖ NM resident cast and crew
- ❖ Purchases made from NM vendors

❖ Actual credit averages 18%

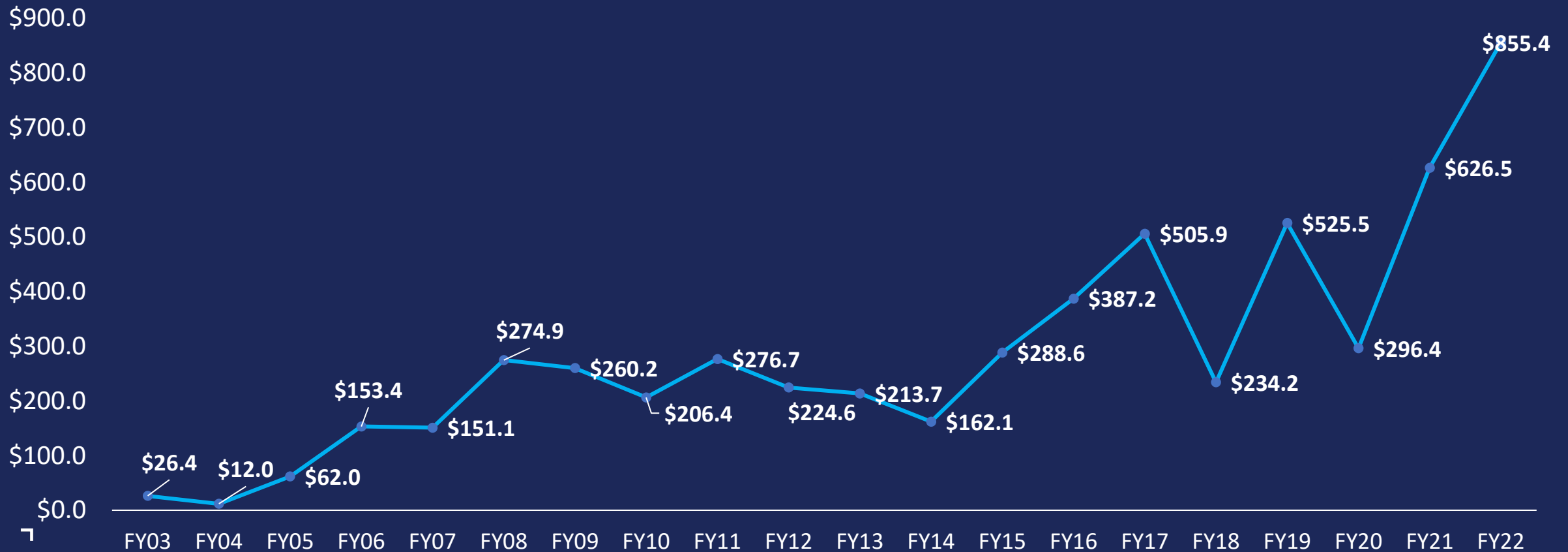
FILM PARTNERS

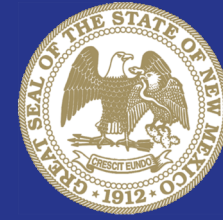
A film production company that has made a commitment to produce films or commercial audiovisual products in New Mexico and has purchases or executes a ten-year contract to lease a qualified production facility.

Production Spend in New Mexico



By Fiscal Year (\$Millions)



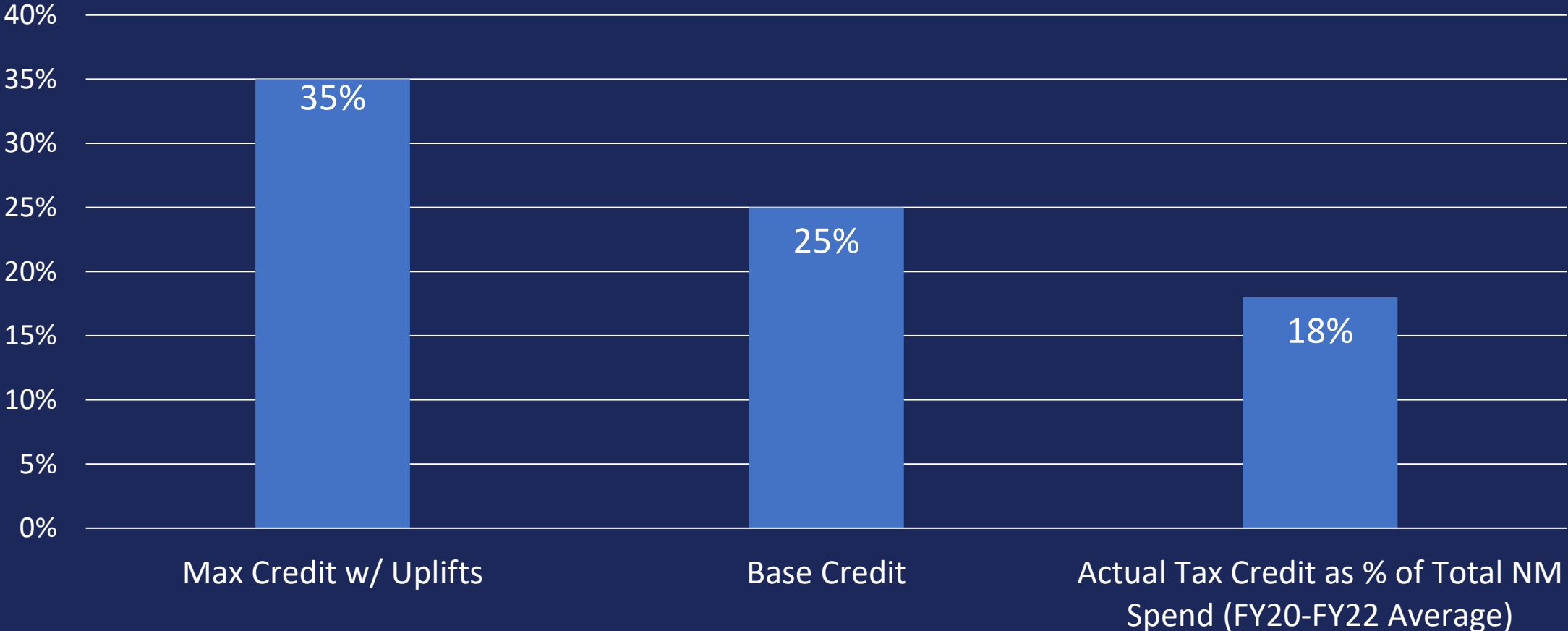


Notable Productions Made in New Mexico

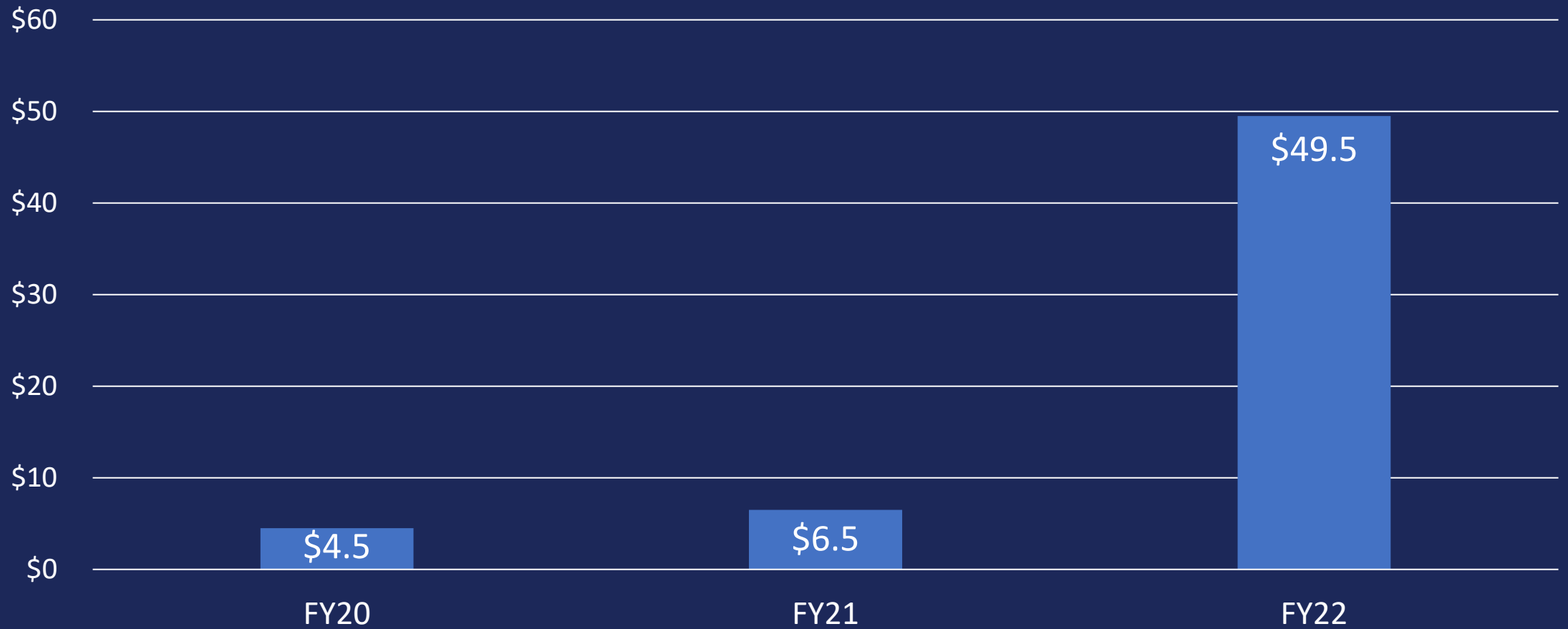
- *Stranger Things S4*
- *Better Call Saul*
- *News of the World*
- *Dark Winds – Rural (Gallup)*
- *Outer Range*
- *Oppenheimer*
- *Cry Macho – Rural (Las Cruces)*



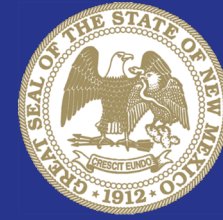
Actual Tax Credit as Percentage of Total NM Spend



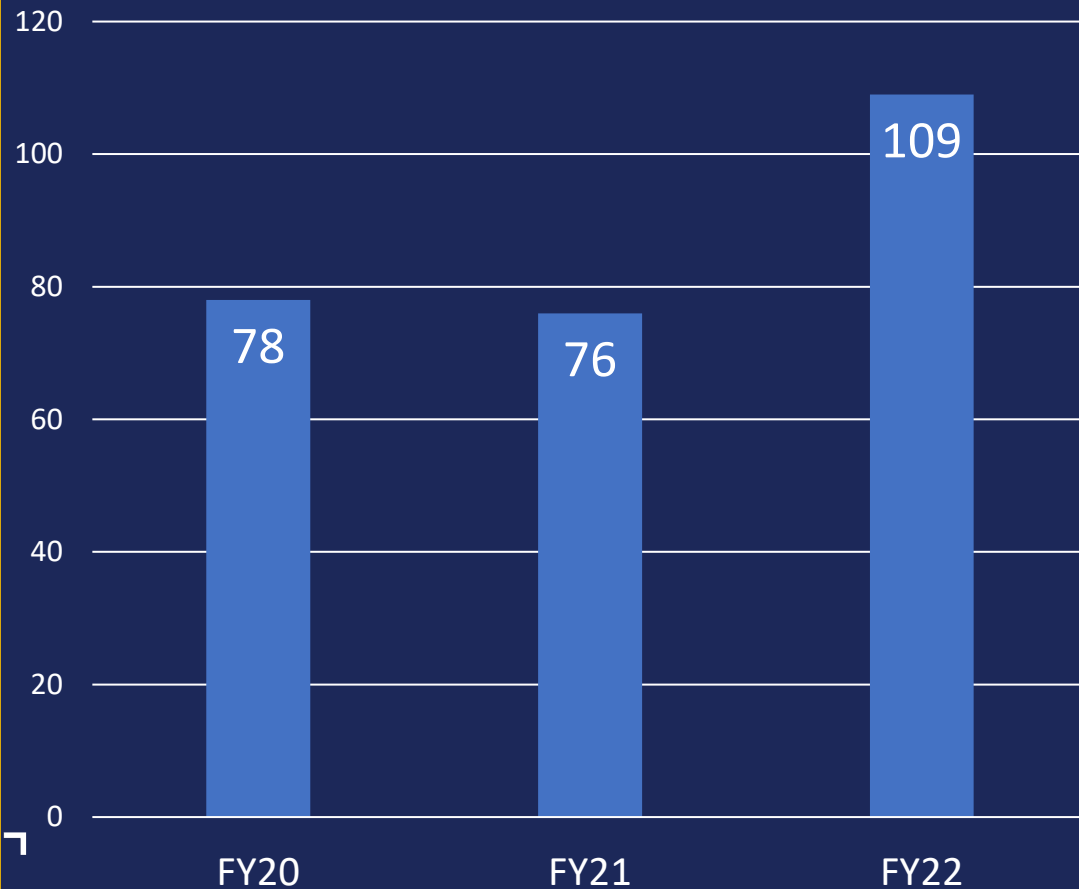
Rural Production Spend (in millions)



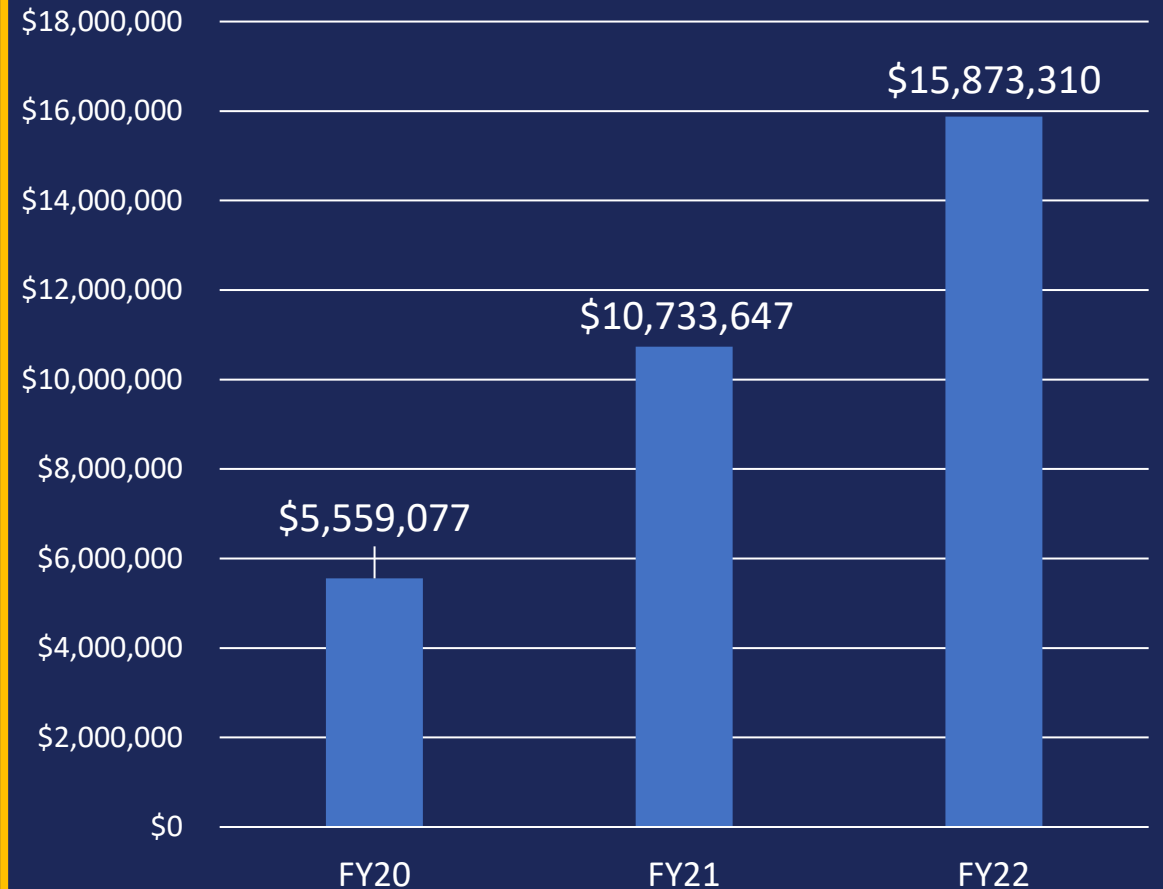
Production Averages



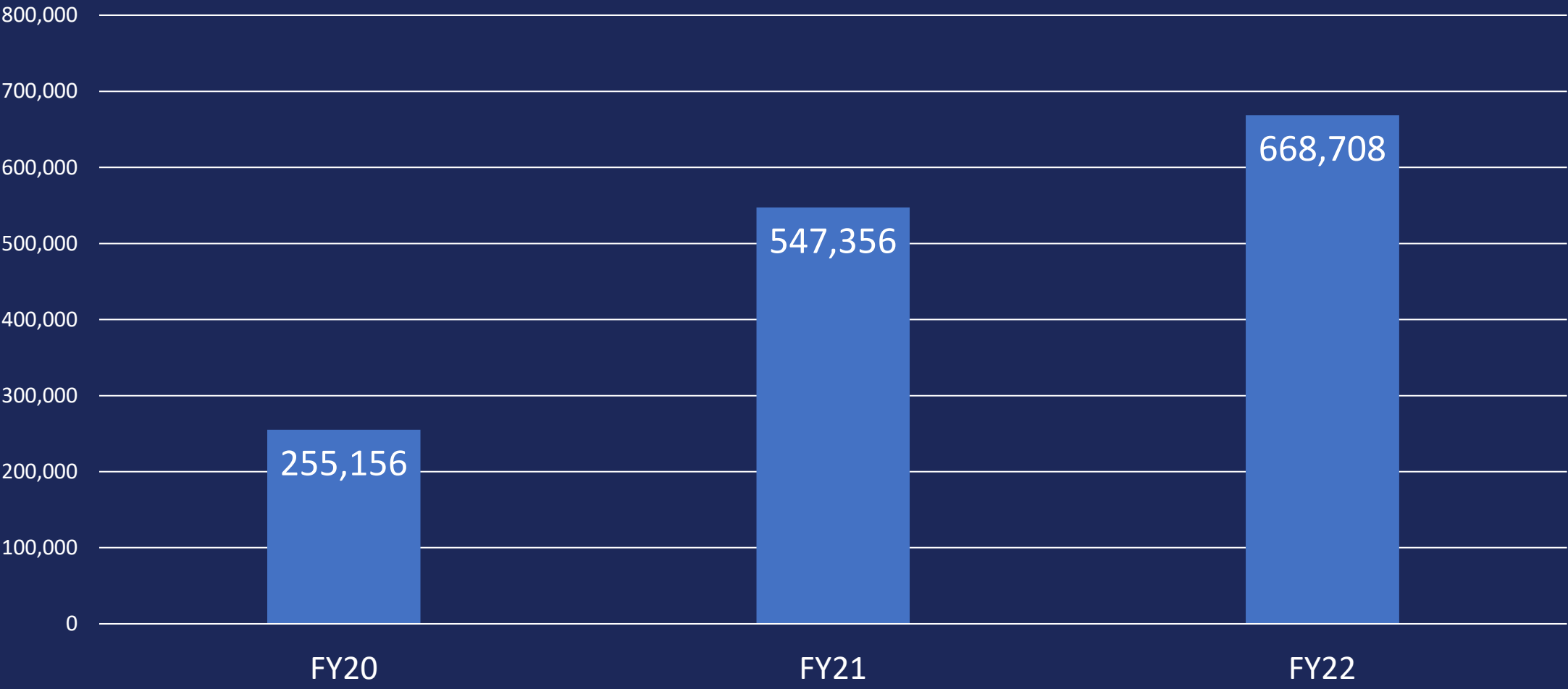
Number of Productions



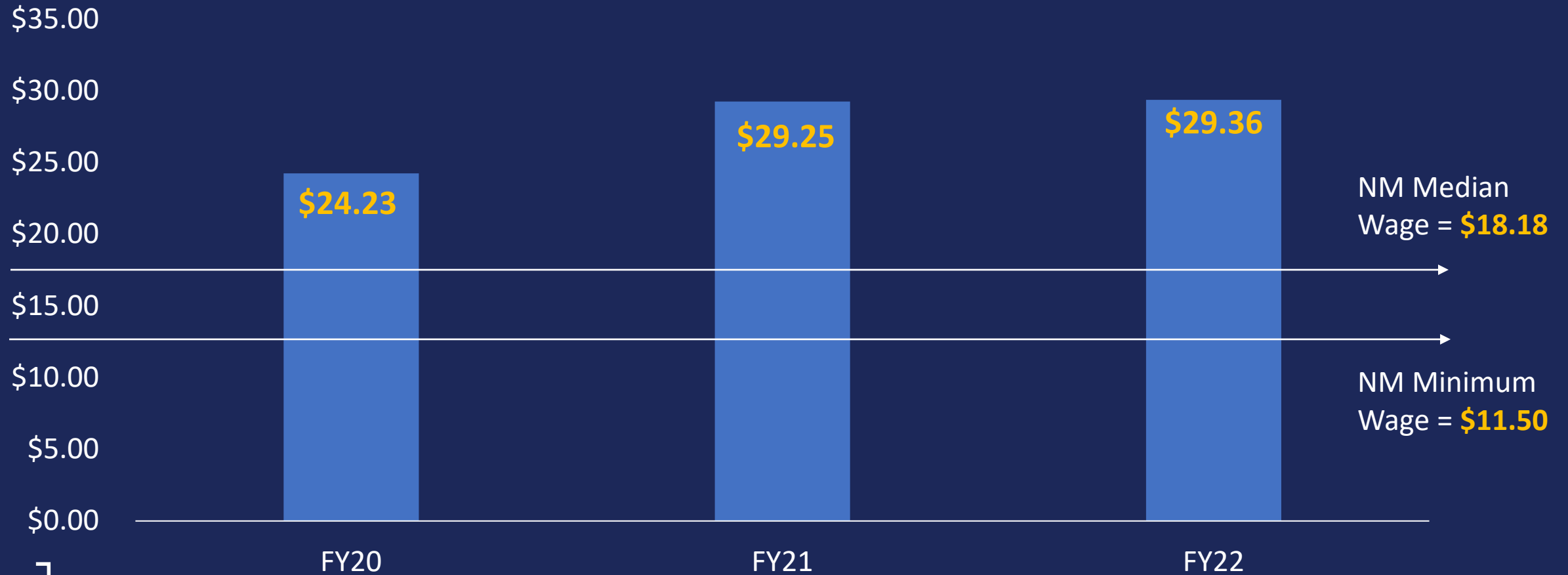
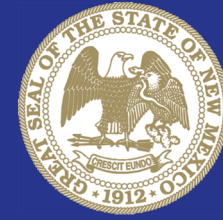
Average Production Budget

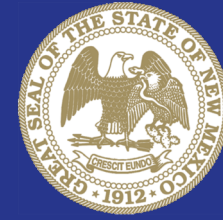


Estimated New Mexico Worker Days

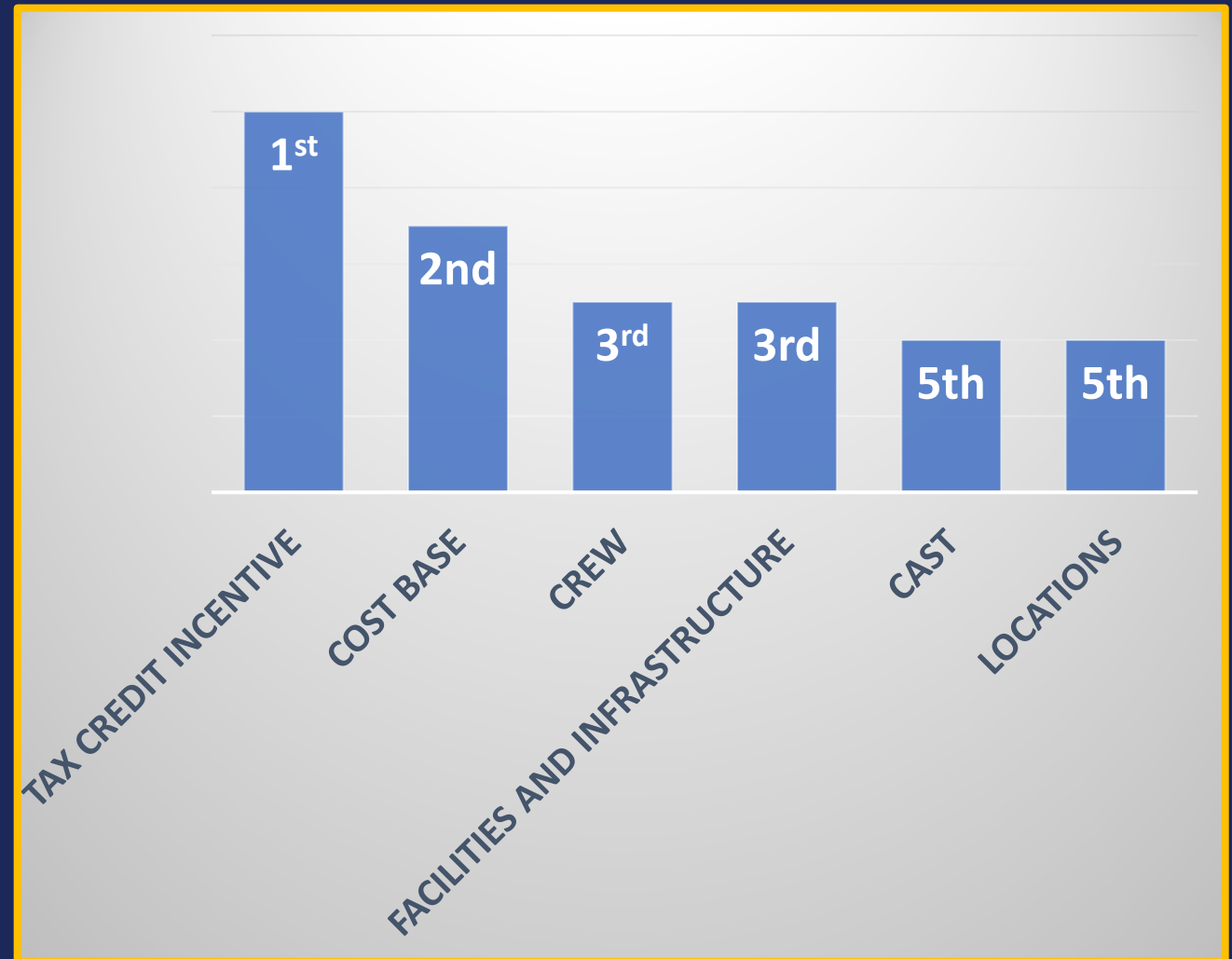


Median Wage of Full-Time Resident Crew





Production Location Decision Factors



Competitive Markets in U.S.



COMPETITIVE MARKETS

California

- Cap: \$330M
- Incentive: Max 35%

New York

- Cap: \$420M
- Incentive: Max 35%

Georgia

- No cap
- Incentive: Max 30%

Louisiana

- Cap: \$150M
- Incentive: Max 40%

Illinois

- No cap
- Incentive: Max 45%

BURGEONING MARKETS

Arizona

- Cap: \$125M
- Incentive: Max 22.5%

Oklahoma

- Cap: \$30M
- Incentive: Max 38%

New Jersey

- Cap: \$100M
- Incentive: Max 37%



Alicia J. Keyes
Cabinet Secretary
Alicia.Keyes@state.nm.us
505.827.0305



Jon Clark
Deputy Cabinet Secretary
Jon.Clark@state.nm.us
505.476.3747



Mark Roper
Economic Development
Division Director
Mark.Roper@state.nm.us
575.562.0327



Axie Navas
Outdoor Recreation Division Director
Alexandra.Navas@state.nm.us
505.660.5992



Amber Dodson
Film Office Director
Amber@nmfilm.com
505.476.5656