

Summary of Economic Impacts of HB-641 (New Jobs Package)

Presentation to
Revenue Stabilization and Tax Policy Committee
by
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Senate Floor Substitute for HB-641

[Chapter 160]

Sponsor: Rep. Antonio “Moe”
Maestas

Omnibus Tax Policy Legislation

HB-641 Corporate Income Tax Rate Reduction and Combined Reporting



Effective Date:
January 1, 2014 (Section 7-2A-5);
July 1, 2013 (Section 7-2A-8.3)

- Decreases the highest corporate income tax rate from 7.6% to 5.9% over five years, beginning in tax year 2014 [amends §7-2A-5]
- Requires mandatory combined reporting for corporations with retail facilities exceeding 30,000 square feet [amends §7-2A-8.3]
 - Provides an exclusion from requirements for combined reporting with the provision that the corporation also employ 750 people in “non-retail” business activities.

HB-641 Single Weighted Sales Factor Apportionment for Manufacturers



Effective Date: January 1,
2014 (app. to tax years \geq
1/1/14)

- Allows a taxpayer whose principal business activity is “manufacturing” [as defined in §7-4-10] to elect to have their business income apportioned to New Mexico using a single weighted sales factor [amends §§7-4-10 and 7-4-17].
- Apportionment change phased-in over a period of five years.

Corporate Income Tax Rate Reduction (\$1,000's)

	FY2013	FY2014	FY2015	FY2016	FY2017
Forecast Gross CIT	330,000	377,000	433,000	450,000	460,000
Fiscal Impact, Rate Changes	0	(8,368)	(28,833)	(48,832)	(70,496)

Single Sales Factor Apportionment (\$1,000's)

	FY2013	FY2014	FY2015	FY2016	FY2017
Fiscal Impact, Manufacturing Sales Factor Apportioning	0	(80)	(10,949)	(28,761)	(45,313)

Mandatory Combined Reporting for Certain Unitary Corporations (\$1,000's)

	FY2013	FY2014	FY2015	FY2016	FY2017
Fiscal Impacts, Combined Reporting	0	1,200	7,500	5,800	4,200

Forecasted
Impacts to
Corporate Income
Tax Receipts

HB-641 Municipal and County Hold Harmless Distribution Changes

Effective Date: July 1, 2013

- Amends the hold harmless distributions to political subdivisions [§§7-1-6.46 and 7-1-6.47].
- Phases-out the food and medical gross receipts tax deduction-related hold harmless distributions over fifteen years:
 - Phase-out will be in 6% increments beginning in FY15 through FY20,
 - then in 7% increments through FY30.
- Exempted from this phase-out are political subdivisions that do not adopt the new “hold harmless gross receipts tax,” and are either a municipality with a population of less than 10,000, or a county with a population of less than 48,000. These small communities will continue to receive hold harmless distributions from the General Fund.



HB-641 Municipal and County Hold Harmless Gross Receipts Tax

Effective Date: July 1, 2013

- Allows discretionary imposition by individual political subdivisions of up to an additional $3/8^{\text{th}}$ percent local option gross receipts tax through implementation of one or more ordinances.
- Tax increments are to be known as the “municipal hold harmless gross receipts tax,” and the “county hold harmless gross receipts tax.”
- Intended to offset the funds that will no longer be received by municipalities and counties as a result of the hold harmless distribution phase-out.

**Forecasted Hold Harmless Revenue Flow from General Fund
Under Prior Law (\$1,000^s)**

Prior (FY2012) Law Distributions	FY2013	FY2014	FY2015	FY2016	FY2017
Food Hold Harmless	(105,450)	(105,554)	(107,066)	(108,589)	(110,009)
Medical Hold Harmless	(35,111)	(36,734)	(38,068)	(39,735)	(40,995)
Total Disbursements — General Fund	(140,561)	(142,287)	(145,134)	(148,324)	(151,004)
Municipalities — Revenue	111,912	113,289	115,557	118,099	120,233
Counties — Revenue	28,648	28,998	29,577	30,226	30,770

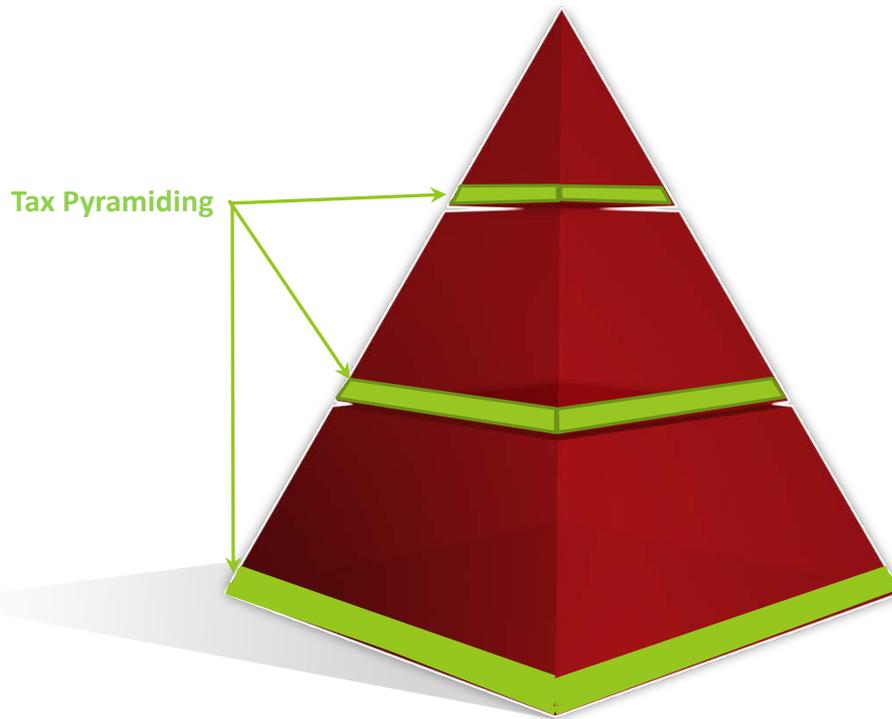
Forecasted Changes in Hold Harmless Distributions Under HB-641 (\$1,000^s)

Impacts of Hold Harmless Provisions	FY2013	FY2014	FY2015	FY2016	FY2017
General Fund Distribution	0	0	0	7,689	15,656
Municipalities	0	0	0	(6,151)	(12,525)
Counties (& "others")	0	0	0	(1,538)	(3,131)
Total	0	0	0	0	0

Forecasted
Impacts to Hold
Harmless
Distributions from
General Fund
Revenues

Perspective: Hold Harmless Distributions to Municipalities & Counties
2012 Hold Harmless Distribution to “Large” Locations

Municipality	2012 Total HH Distribution	County	2012 Total HH Distribution
Silver City	\$1,631,419	McKinley	\$1,645,639
Alamogordo	\$2,806,855	San Juan	\$2,435,687
Española	\$1,526,945	Santa Fe	\$3,300,069
Santa Fe	\$10,544,440	Chaves	\$835,223
Roswell	\$5,767,382	Curry	\$589,927
Clovis	\$3,084,792	Bernalillo	\$10,288,986
Gallup	\$3,230,249	Valencia	\$584,514
Portales	\$790,739	Dona Ana	\$1,791,003
Farmington	\$5,575,224	Otero	\$391,359
Las Vegas	\$1,205,362	Sandoval	\$481,306
Las Cruces	\$8,717,668	Eddy	\$331,066
Los Lunas	\$1,687,384	Lea	\$310,823
Deming	\$1,120,689		
Albuquerque	\$38,672,071		
Carlsbad	\$2,352,895		
Lovington	\$523,819		
Rio Rancho	\$3,526,963		
Artesia	\$1,256,512		
Hobbs	\$2,538,108		
Sunland Park	\$97,780		



HB-641 Definition of “Consumables” for Manufacturers

Effective Date: January 1, 2013

- Defines real property “consumable” for purposes of deduction from GRT.
 - The definition of “consumable” includes electricity, fuels, water, manufacturing aids and supplies, chemicals, gases, repair parts, spares and other tangibles used to manufacture a product.
- Excludes tangible personal property used in the generation of power, the processing of natural resources, and the preparation of meals for immediate consumption on- or off-premises.

Forecasted GRT Revenue Losses Under Current Law (\$1,000's)

Current Law Deduction	FY13	FY14	FY15	FY16	FY17
Total	(16,545)	(30,748)	(53,304)	(77,846)	(104,324)

“Benefits” of HB-641 Restriction of Deduction (\$1,000's)

Fiscal Impacts — Manufacturing Consumables	FY13	FY14	FY15	FY16	FY17
General Fund GRT	0	10,378	18,020	26,050	34,501
General Fund Comp	0	79	159	215	295
Local Governments	0	6,444	11,187	16,174	21,419
Small Counties Assistance	0	11	23	31	42
Small Cities Assistance	0	17	34	46	63
Muni Equivalent on Comp	0	6	11	15	21
Total	0	16,935	29,434	42,531	56,341

Forecasted Impacts to Gross Receipts Tax Revenues from Manufacturing Consumables Modifications



HB-641 High Wage Jobs Tax Credit Definitions and Extension

Effective Date: June 14, 2013

- Clarifies and imposes additional limitations on the application of the high-wage jobs tax credit [amends §7-9G-1].
- Extends the credit for an additional five years.
- Modifies the threshold in the definition of a municipality, (increasing to a population of at least 60,000) and extending to include areas within ten miles of the boundaries of municipality.
 - Raises threshold for new high wage jobs (created after 7/1/2015) to \$40,000 outside a municipality, and \$60,000 within a municipal area.
- Excludes job from eligibility if the result of various conditions relating to a business merger, acquisition or other change in organization.

**Forecasted Changes to General Fund Revenue from HWJTC
Modifications (\$1,000's)**

	FY2013	FY2014	FY2015	FY2016	FY2017
General Fund Impact	0	6,447	19,572	(9,520)	(9,711)
Local Government Impact	0	2,025	6,147	(2,990)	(3,048)
Net Fiscal Impacts, HWJTC Changes	0	8,471	25,718	(12,510)	(12,759)

**Forecasted
Impacts to
General Fund
from High Wage
Jobs Tax Credit
Modifications**



HB-641 Film Tax Credit Changes

Effective Date: June 14, 2013

- Allows an additional five percent to be added to the calculation of the film production tax credit for television shows, subject to certain requirements [amends §7-2F-1].
- Allows for an annual film credit that is unused under the \$50 million cap, up to a maximum of \$10 million, to be carried forward and added into the subsequent fiscal year's cap.
- Allows in a year that the \$50 million cap is not reached, the next scheduled payment for multi-year credit claims can be made in that year.
 - Provides more specific requirements for withholding taxes related to services provided by artists under the "direct production expenditures" provisions of the credit.
 - Specifically defines "qualified production facility."
 - Clarifies tax obligations for non-resident vendor services.

Summary of HB-641 Estimate Recurring Revenue Impacts (\$1,000's)

FY2013	FY2014	FY2015	FY2016	FY2017	
-	9,656	5,469	(47,359)	(70,868)	General Fund
-	8,469	17,334	5,495	2,715	Local Governments
-	11	23	31	42	Small County Assistance Fund
-	17	34	46	63	Small City Assistance Fund
-	6	11	15	21	Municipal Equivalent Distribution
-	18,158	22,870	(41,772)	(68,027)	Total

Total Estimated Revenue Impacts of HB-641