2012 New Mexico Tax Expenditure Report

Presentation to the

Revenue Stabilization and Tax Policy Committee

by

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Defining "Tax Expenditures"

- Tax provisions implemented to achieve policy objective, allowing taxpayer to retain specific economic value (i.e., not pay otherwise applicable tax)
- Tax expenditures are taxes *not* collected
  - Can be efficient means to public purpose
  - "Targeting" benefits can be difficult
  - Measuring benefits more difficult than simply estimating foregone revenues

Tax Expenditure Analysis Process

- *Engaged* all Executive Agencies
- *Reviewed* all prior tax expenditure analyses and reports
- *Distributed* descriptions of tax expenditures and obtained information from other agencies
- *Researched* TRD data and audit systems, and 3rd-party data sources
- *Compiled* more than 400 "templates"

Tax Expenditures ~ Categories

Industry-specific tax expenditures for economic development

General tax expenditures to improve business climate

Tax expenditures for specific public purposes

Tax expenditures for health care facilities & programs

Tax expenditures (expressly) for public welfare, elderly and low income protections

Tax expenditures for specific not-for-profit enterprises

Tax expenditures related to natural resource tax policy

Tax expenditures related to Indian nations, tribes or pueblos

Industry-specific Tax Expenditures for Economic Development

- Renewable Energy

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Renewable Energy Production Credit	5	$2,675.3	3	$2,030.0	4	$8,667.0	6	$2,822.5	NA	NA
Solar Market Development Credit	86	$342.2	180	$545.1	307	$833.8	569	$1,239.8	727	$1,566.1
Solar Energy System Deduction	NA	$236.1	NA	$376.1	NA	$575.3	NA	$855.5	NA	$1,080.6
TOTAL	91	$3,253.6	183	$2,951.2	311	$10,076.1	575	$4,917.8	727	$2,646,7

FUTURE CREDIT LIABILITIES	TY2007	TY2008	TY2009	TY2010	TY2011
($1,000s)	Amount	Amount	Amount	Amount	Amount
Potential Renewable Energy Production Credits	$13,924.6	$13,924.6	$13,924.6	$14,599.1	$20,739.9
Renewable Energy Production Credits Used	$2,675.3	$2,030.0	$8,667.0	$2,822.5	NA[1]
Potential Annual Carry-Forward of Credits	$11,249.3	$11,894.7	$5,248.8	$11,785.4	$20,739.9[2]
TOTAL OUTSTANDING CREDIT LIABILITY	$29,849.5	$40,744.2	$41,729.2	$46,348.5	$60,918.1

[1] Data from Taxable Year 2011 is not yet available.

[2] Potential annual carry-forward in 2011 will be reduced by the amount of credit used in that year.

[3] Total outstanding liability assumes a 5 year carry-forward of unused credit.

SOURCE: New Mexico Energy, Minerals and Natural Resource Department, May 11, 2012.

Industry-specific Tax Expenditures for Economic Development

- Renewable Energy – Other Programs

TAX EXPENDITURE	DESCRIPTION	APPLICATION
Advanced Energy Deduction and Advanced Energy Tax Credit	Receipts from selling or leasing tangible personal property or services for eligible generation plant costs are deductible from gross receipts and compensating tax. Also, a taxpayer with interest in a qualified generating facility in New Mexico that files a return may claim a credit against corporate income tax for 6% of qualifying generation plant costs.	The tax credit and deduction infrequently claimed since inception — only one of the past five years. To extent these tax expenditures apply to public utilities, these deductions and credits may be passed through in regulated rates
Alternative Energy Product Manufacturers Tax Credit	Manufacturers of certain alternative energy products may receive a tax credit not to exceed five percent (5%) of qualified expenditures for manufacturing equipment purchase of used	Credit not claimed by any taxpayers In the past four years
Electric Transmission Facilities Deduction and Services For Electric Transmission Facilities Deduction	Equipment value installed as part of an electric transmission or interconnected storage facility acquired by the New Mexico Renewable Energy Transmission Authority (RETA) deductible from compensating and gross receipts tax due. Receipts from providing services to the RETA (including agent or lessee) also deductible from gross receipts.	There are no data available to estimate the usage and direct revenue impact of this tax expenditure.
Electricity Conversion Deduction	Receipts from the transmission of electricity where voltage source conversion technology is employed (and ancillary services) may be deducted from gross receipts.	No historic data for this tax expenditure currently exist (effective July 1, 2012).
Wind And Solar Generation Equipment Deduction	Receipts from selling wind or solar generation equipment to a government for generation facility are deductible from gross receipts (includes Industrial Revenue Bond financed).	No data is reported to track deduction against GRT.
Agricultural Biomass Credit	Tax credit for sale of agricultural biomass from dairies and feedlots to facilities that used to generate electricity or make biofuels for commercial use ($5 per ton applied against CIT or PIT liability, up to $5 million/year).	Effective 2011, no data available until second half of calendar year 2012.
Geothermal Ground Coupled Heat Pump Credit	Tax credit of up to thirty percent (30%) of the purchase and installation costs of a geothermal ground-coupled heat pump in a residence (up to $9,000 /installation applied against CIT or PIT, and $2 million/year), business or agricultural enterprise in New Mexico.	$67,200 claimed against PIT in TY2011, effective 2010.

Industry-specific Tax Expenditures for Economic Development

- Film Tax Credit (history)

APPROVALS	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Film Production Tax Credit Against CIT	29	$17,610.5	43	$45,944.2	63	$76,659.4	59	$65,388.5	53	$76,167.3
Film Production Tax Credit Against PIT	5	$56.5	8	$83.2	15	$47.0	21	$524.5	2	$845.8
TOTAL	34	$17,667.0	51	$46,027.4	78	$76,706.4	80	$65,388.5	55	$77,013.1

DISTRIBUTIONS	FY2007	FY2008	FY2009	FY2010	FY2011
Credits Applied to Tax Liability	$0.0	$0.0	$0.0	$0.0	$0.0
Credits Refunded	$18,523.7	$42,569.3	$82,062.1	$45,367.4	$96,192.3
TOTAL	$18,523.7	$42,569.3	$82,062.1	$45,367.4	$96,192.3

Industry-specific Tax Expenditures for Economic Development

- Film Tax Credit (current data)

APPROVALS & PENDING ($1,000s)	FY2012	FY2013*
Credits Approved	$19,157.2	$8,462.0
Credits Pending Approval	N/A	$15,110.7
Total (Potential) FY Credits	$19,157.2	$23,572.7

DISTRIBUTED , APPROVED FOR DISTRIBUTION, OR PENDING APPROVAL ($1,000s)	FY2012	FY2013*
Credits Approved, but not yet Refunded**	$11,165.7	$16,811.3
Credits Refunded	$9,494.5	$2,875.9
Total Refunded & Outstanding (Approved and Pending) Credits	$20,660.2	$34,797.9
* FY2013 data is current through September 14, 2012.		
** NOTE: FY2012 includes credits approved but not taken in FY2012, plus approximately $1.5 million in pre-FY2012 carry-forward credits; FY2013 includes credits carried-forward from FY2012.		

Industry-specific Tax Expenditures for Economic Development

- High Technology Industries Tax Credit

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Research & Development Small Business Tax Credit	NA	NA	56	$133.1	82	$107.1	5	$0.7	0	$0.0
Technology Jobs Tax Credit	23	$59.9	174	$1,909.8	346	$6,042.6	397	$6,265.3	326	$3,112.7
TOTAL	23	$59.9	230	$2,022.9	428	$6,149.7	402	$6,266.0	90	$3,112.7

OTHER HIGH TECHNOLOGY TAX EXPENDITURES	DESCRIPTION	APPLICATION
Software Development Services Deduction	Receipts from the sale of software development services performed in a qualified area (i.e., business location with population less than 50,000) by an eligible software company are deductible from Gross Receipts Tax.	No direct data for this tax expenditure currently exist. Estimating gross receipts deductions ratios from the software development industry (as a percentage of the difference between total gross receipts and taxable gross receipts) may be used as a proxy, providing an estimate of less than $200,000 per year from this deduction.
Fuel Used in Space Vehicles Exemption against Gross Receipts or Compensating Tax	Receipts from selling fuel, oxidizer or a substance that combines fuel and oxidizer to propel space vehicles or to operate vehicle launchers and the use of such fuels to propel space vehicles or to operate space vehicle launchers are exempt from gross receipts tax and compensating tax.	No direct data for this tax expenditure currently exist.
Space Related Transactions Deduction against Gross Receipts Tax	Receipts from operating a spaceport; launching, operating or recovering space vehicles or payloads; preparing a payload; or research, development, testing and evaluation services for the U.S. Air Force Operationally Responsive Space Program are deductible. This deduction is provided as an incentive to promote the New Mexico space-flight industry.	No direct data for this tax expenditure currently exist..

Industry-specific Tax Expenditures for Economic Development

- Sustainable Buildings Tax Credit

CREDITS TAKEN	TY2007		TY2008		TY2009		TY2010		TY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Sustainable Building Tax Credit (CIT & PIT)	NA	NA	6	$39.6	70	$398.3	201	$1,263.6	209	$679.7

APPROVED CREDITS	TY2008			TY2009			TY2010			TY2011		
($1,000s)	Apprvd Projects	# Tax ID's	Apprvd Credit Amnt	Apprvd Projects	# Tax ID's	Apprvd Credit Amnt	Apprvd Projects	# Tax ID's	Apprvd Credit Amnt	Apprvd Projects	# Tax ID's	Apprvd Credit Amnt
Approved Sustainable Building Tax Credits	101	80	$954.1	139	115	$1,190.1	337	203	$2,905.7	635	189	$5,600.9

NOTE: More than $10.6 million in Sustainable Building Tax Credits have been approved since the inception of the program, with only $2.4 million of the approved credits claimed through TY2011. Since the program only provides for offset of CIT and PIT tax liability, until parties who have earned the credit have tax liability with the remaining accrued $8.4 million be taken. The credit may be carried-forward for 7 years from the date of approval.

Industry-specific Tax Expenditures for Economic Development

- Affordable Housing Tax Credit

($1,000s)	TY2007		TY2008		TY2009		TY2010		TY2011	
	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Affordable Housing Tax Credit	14	$29.6	42	$82.8	67	$461.0	100	$70.9	51	$38.1

- Credit can be applied against gross receipts (less local option gross receipts taxes), compensating, withholding, personal income, corporate income, E911, and other CRS tax liabilities for investments in affordable housing projects equal to fifty percent (50%) of the amount of cash invested or the fair market value of the land, buildings, materials or services relating to such projects.
- This tax expenditure is available to taxpayers receiving a tax credit voucher issued by the New Mexico Mortgage Finance Authority ("MFA").
- Credit voucher claims have provided an average benefit/claim < $2,500.
- Administrative costs provisions of tax expenditure program allows MFA to charge fees for its services in operating the program.

Industry-specific Tax Expenditures for Economic Development

- Other Programs

TAX EXPENDITURE	DESCRIPTION	APPLICATION
Credit Unions' Sales Deduction	Sales by state-chartered credit unions can be deducted from gross receipt taxes. This tax expenditure may allow state-chartered credit unions to be placed in competitive parity with federal-chartered credit unions. The direct revenue impact of this tax expenditure is unknown.	No direct data for this tax expenditure currently exist.
Newspapers and Publication Sales Deduction	Receipts from selling newspapers, except from selling advertising space, are deductible from gross receipts tax. It can be inferred that this tax expenditure aims to serve as economic stimulus to the printed newspaper industry by allowing a deduction of its receipts from selling newspapers from gross receipts. Excluded from the definition of a newspaper in regulation is the online dissemination of news by a newspaper publisher because that online content is not printed. It is unclear whether publishers have been extending the deduction to their online activities, but the Taxation and Revenue Department has not pursued taxation of online subscriptions to newspaper content. These subscriptions constitute a license, and the receipts from their sale are taxable. If the deduction is being inappropriately applied to them, the cost of this tax expenditure is larger as a result.	No direct data for this tax expenditure currently exist. Circulation data for New Mexico newspapers was used to estimate annual newspaper receipts by assuming an average price of $1.00 per paper for weekday editions and $1.50 per paper for Sunday editions. A paid circulation rate of 50 percent was assumed to account for freely distributed papers and unsold copies. Foregone revenue was estimated by multiplying the estimate of newspaper gross receipts by a statewide average gross receipts tax rate of 6.9 percent. Reasonable estimates using indirect data sources suggest that the deduction resulted in a direct revenue cost of at least $3.5 million annually.
Production Or Staging Of Professional Contests Deduction	A deduction against gross receipt tax is provided for broadcasting, producing or staging professional boxing, wrestling, or martial arts contests.	No direct data for this tax expenditure currently exist.

General Tax Expenditures to Improve Business Climate

- Rural Jobs Tax Credits

	FY2007		FY2008		FY2009		FY2010		FY2011	
	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Rural Jobs Tax Credit (CIT)	0	$0.0	0	$0.0	0	$0.0	0	$0.0	NA	NA
Rural Jobs Tax Credit (Compensating Tax)	NA	NA	6	$1.1	15	$1.8	9	$1.3	6	$116.0
Rural Jobs Tax Credit (GRT)	NA	NA	14	$38.1	42	$231.6	24	$172.3	7	$146.2
Rural Jobs Tax Credit (PIT)	0	$0.0	10	$41.0	12	$40.2	8	$31.2	7	$21.5
Rural Jobs Tax Credit (Withholding Tax)	NA	NA	19	$99.3	50	$149.1	37	$459.8	8	$11.8
Rural Jobs Tax Credit - TOTAL	**0**	**$0.0**	**49**	**$179.5**	**119**	**$422.7**	**78**	**$664.6**	**28**	**$295.5**

- Eligibility for the Rural Job Tax Credit requires employers to be approved for the Job Training Incentive Program (JTIP) administered by the Economic Development Department (EDD).
- The statute defines two tier areas based on population.
  - A "Tier One area" is any municipality within a rural area if the municipality's population is 15,000 or less, or any part of the rural area that is not within the exterior boundaries of a municipality. For a Tier One area the credit is for 25% of the first $16,000 of wages paid.
  - A "Tier Two area" is any municipality within a rural area if the municipality's population is more than 15,000 the credit is 12.5% of the first $16,000 of wages paid.
  - For each of the (up to) 24-month qualifying periods, the annual credit is 6.25% of the first $16,000 of wages paid if the job is in a Tier One area. In a Tier Two area, for each of the (up to) 2qualifying periods, the annual credit 6.25% of the first $16,000 of wages paid.
- The tax credit has provided direct benefit to approximately 200 to 700 new jobs in rural New Mexico during the last four years.

General Tax Expenditures to Improve Business Climate

- High Wage Jobs Tax Credits

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Credits, applied to tax liability	48	$234.2	66	$277.7	100	$441.8	70	$1,188.7	77	$826.7
Credits, refunded		$1,262.6		$3,528.0		$13,891.3		$3,462.8		$8,431.7
TOTAL	48	$1,487.0	66	$3,805.7	100	$14,333.1	70	$4,651.5	77	$9,258.4

- 10% tax credit for qualifying new high wage jobs for up to 4 years, with maximum credit per job of $12,000 per year (i.e., annual salary cap of $120,000 eligible for credit).
- Eligible employers are those businesses eligible for JTIP ***or*** employers whose sales revenues are more than fifty percent (50%) to out-of-state entities in the year prior to when the employer files for the tax credit.
  - Qualified jobs are new jobs paying at least $28,000 in rural areas, and greater than $40,000 in urban areas.
  - A claim may be made at any time for new jobs created after 2004.
- The tax credit has provided direct benefit to more than 3,000 new jobs created since 2004, with more than half of those jobs since the start of the recession in 2008.

General Tax Expenditures to Improve Business Climate

- High Wage Jobs Tax Credits

Credit Allowed	FY11					FY12				
	$2.8K-$4K	$4K-$6K	$6K-$8K	$8K-$10K	$10K-$12K	$2.8K-$4K	$4K-$6K	$6K-$8K	$8K-$10K	$10K-$12K
Implied Salary Range	$28,000 to $40,000	$40,000 to $60,000	$60,000 to $80,000	$80,000 to $100,000	$100,000 to $120,000	$28,000 to $40,000	$40,000 to $60,000	$60,000 to $80,000	$80,000 to $100,000	$100,000 to $120,000
# Claims	175	784	588	288	367	328	1000	647	395	466
TOTAL APPROVED CLAIMS	$596,983	$3,973,077	$4,048,074	$2,568,050	$4,228,409	$1,136,395	$5,019,310	$4,505,190	$3,512,668	$5,368,474

NEW APPROVALS & PENDING	FY2012 ($1,000s)	FY2013* ($1,000s)
Credits Approved	$24,309.0	$3,544.4
Credits Pending Approval	N/A	$17,786.6
Total (Potential) FY Credits	$24,309.0	$21,331.0

DISTRIBUTED , APPROVED FOR DISTRIBUTION, OR PENDING APPROVAL	FY2012 ($1,000s)	FY2013* ($1,000s)
Credits Approved, but not yet Refunded**	$6,086.4	$6,071.6
Credits Refunded	$25,355.9	$3,528.6
Total Refunded & Outstanding (Approved and Pending) Credits	$31,442.3	$27,386.8

* FY2013 data is current through September 14, 2012.

** NOTE: FY2012 includes credits approved but not taken in FY2012, plus approximately $2.0 million in pre-FY2012 carry-forward credits; FY2013 includes credits carried-forward from FY2012.

General Tax Expenditures to Improve Business Climate

- Laboratory Partnership with Small Business Tax Credits

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Laboratory Partnership w/ Small Business Tax Credit	NA	NA	0	$0.0	4	$2,525.3	5	$2,394.2	4	$3,188.0

- A national laboratory that offers certain types of eligible assistance to individual small businesses may take a credit against the state portion of gross receipts tax of up to $10,000 per business or $20,000 for a business in a rural area in an amount equal to the qualified expenditure.
- A national laboratory must establish a small business assistance program, including a revolving fund with initial funding from a source other than tax credits.
  - The revolving fund shall be used to pay for qualified expenditures, and the fund shall be replenished with an amount equal to the tax credits.
  - The tax credits taken by an individual national laboratory exceed $2,400,000 in a given calendar year.
- "Small business assistance" includes the transfer of technology, including software, manufacturing, mining, oil and gas, environmental, agricultural, information and solar and other alternative energy source technologies.

General Tax Expenditures to Improve Business Climate

- Business Investment Tax Credits

($1,000s)	FY2007 Claims	FY2007 Amount	FY2008 Claims	FY2008 Amount	FY2009 Claims	FY2009 Amount	FY2010 Claims	FY2010 Amount	FY2011 Claims	FY2011 Amount
Investment Tax Credit	NA	NA	92	$1,053.2	197	$11,602.8	117	$7,037.9	90	$1,862.0

($1,000s)	FY2007 Claims	FY2007 Amount	FY2008 Claims	FY2008 Amount	FY2009 Claims	FY2009 Amount	FY2010 Claims	FY2010 Amount	FY2011 Claims	FY2011 Amount
Venture Capital Investment Tax Credit	0	$0.0	0	$0.0	0	$0.0	0	$0.0	NA	NA
Angel Investment Tax Credit	0	$0.0	16	$145.0	28	$157.8	32	$200.8	17	$80.8
TOTAL	0	$0.0	16	$145.0	28	$157.8	32	$200.8	17	$80.8

- *Investment Tax Credit* is equal to 5% of the value of the capital investments in qualifying manufacturing equipment where such investment increases employment in the manufacturing business, and may be applied against a maximum of 85% of a taxpayer's gross receipts, compensating, and withholding tax liability (but may not be taken against any local option gross receipts tax imposed by a county or municipality).
- *Venture Capital Investment Tax Credit* provides for a 50% credit against corporate income tax liability from net capital gains realized from investments in manufacturing businesses.
  - The gain is realized from the sale or exchange of "qualifying diversifying business stock".
  - Contributed capital may not exceed $25 million (stated generally, with statutory restrictions), and the stock was originally issued after June 30, 1994 but before July 1, 2001.
- *Angel Investment Tax Credit* is provided against personal income tax liability of an accredited investor making a qualified investment in an amount not to exceed 25% of not more than $100,000 of the investment (i.e., high-technology research or manufacturing activities w/ principal place of business in New Mexico).

General Tax Expenditures to Improve Business Climate

- Tax Increment for Development District Tax "Dedications"

($1,000s)	FY2007 Claims	FY2007 Amount	FY2008 Claims	FY2008 Amount	FY2009 Claims	FY2009 Amount	FY2010 Claims	FY2010 Amount	FY2011 Claims	FY2011 Amount
TIDD Gross Receipts Tax Dedications	NA	NA	NA	NA	2	$2,946.1	4	$1,370.9	5	$3,810.8
TIDD Property Tax Payment Dedications	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
TOTAL	NA	NA	NA	NA	2	$2,946.1	4	$1,370.9	5	$3,810.8

- Incremental gross receipts tax revenue and property tax payments attributable to new development pursuant to a tax increment development plan may be dedicated to the infrastructure development within the TIDD.
- A taxing entity may not dedicate more than 75% of its gross receipts tax to a TIDD (w/ State Board of Finance approval).
  - Note that TIDD "dedication" of revenues does not diminish tax receipts, but dedicates them to other than a general public purpose (e.g., specific infrastructure bond repayments).
  - Significant additional administrative cost for the Taxation and Revenue Department and for the county treasurers are imposed to identify and monitor specific gross receipts and property tax payments, allocate those receipts and report these additional subdivision revenues.

General Tax Expenditures to Improve Business Climate

- Double-Weighted Sales Apportionment Tax Expenditure

	TY2007		TY2008		TY2009		TY2010		TY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Double-Weighted Sales Apportionment Against CIT	46	($108.3)	54	($67.5)	49	($6.6)	58	($32.6)	NA	NA

- A manufacturer may elect to have business income apportioned to New Mexico Corporate Income Tax by multiplying the tax obligation by a "double-weighted sales" apportionment factor. Tax is normally apportioned by equal weighting of each firm's sales factor, property factor and payroll factor.
- Double weighting of the "sales factor" places more emphasis on the role of the firm's NM sales (to total corporate sales) in determining NM CIT tax apportionment.
  - If a manufacturing firm has a larger percentage NM sales factor than property or payroll factor, the election of the Double-Weighted Sales Factor may increase tax obligations (i.e., as seen in TY2007 through TY2010).
  - A taxpayer must make the election for a 3 consecutive year period.
  - In TY2012 only one NM manufacturing firm had elected to pay CIT on double-weight sales factor.

General Tax Expenditures to Improve Business Climate

- GRT "Tax Holiday" Sales Tax Expenditure

	FY2007	FY2008	FY2009	FY2010	FY2011
($1,000s)	Amount	Amount	Amount	Amount	Amount
Estimated Tax Holiday Deductions from GRT	$4,000	$3,600	$4,054	$3,595	$3,109

- Gross Receipts Tax "holiday" on eligible retail sales declared during the period between 12:01 a.m. on the first Friday in August and ending at midnight the following Sunday.
- The tax expenditure is targeted at "back to school" expenditures.
  - No provision for reporting deductible sales, and no ability to estimate specific sales during applicable tax holiday period.
  - Estimate is based on assumed 10% of August retail sales reported as taxable gross receipts, but no ability to estimate sales "stimulus" created by tax holiday.

General Tax Expenditures to Improve Business Climate

- Jet Fuel Deduction Tax Expenditure

	FY2007	FY2008	FY2009	FY2010	FY2011
($1,000s)	Amount	Amount	Amount	Amount	Amount
Estimated Jet Fuel Deduction from GRT	$5,469.7	$5,924.2	$4,811.1	$3,247.2	$3,670.4
Estimated Jet Fuel Deduction from Compensation Tax	$1,027.8	$1,109.2	$901.9	$601.4	$681.0
TOTAL	**$6,497.5**	**$7,033.4**	**$5,713.0**	**$3,848.6**	**$4,351.4**

- Through FY2017, 55% of the value of jet fuel prepared and sold for use in turboprop or jet engines may be deducted from the total value before computing tax due.
- Starting in FY2018, 40% of the value of that same qualified jet fuel may be deducted from the total value before computing tax due.
- No data is reported relating to deduction.
  - Estimate based on jet fuel expenditure data (for NM) report by US Energy Information Administration.
  - Reduced tax rate is based on similar treatment by other states to attract airline operations.

General Tax Expenditures to Improve Business Climate

- Other Programs

TAX EXPENDITURE	DESCRIPTION	APPLICATION
Business Facility Rehabilitation Credit	This credit can be applied against personal or corporate income tax liabilities for one-half of the cost, not to exceed $50,000, incurred to restore, rehabilitate or renovate a qualified business facility that has been vacant for at least 2 years. Claimants cannot also claim the cultural property preservation credit or the investment credit. Any portion of the credit not deducted from the taxpayer's income tax liability may be carried forward for four (4) consecutive taxable years.	In TY2007 through TY2011 there have been no claims for this credit.
County and Municipal Revenue Bonds	New Mexico statute authorizes municipalities and counties to acquire, own, lease or sell projects for the purpose of promoting industry and trade other than retail trade, by inducing manufacturing, industrial and commercial enterprises to locate or expand in New Mexico, promoting the use of the agricultural products and natural resources of this state, fund pollution control equipment, and promoting other businesses, subject to certain qualifications. An exemption from gross receipts tax for all project development costs and revenues from a Municipal or County Revenue Bond project. This is an economic development incentive that sets aside lease revenue generated from the project for the purpose of payment on the bonds, the proceeds of which are used to purchase or construct the project. In some instances, the revenue bonds are sold to the corporation or organization leasing the facility. In addition to the impact on gross receipts revenues, the property associated with the project is considered property of the state, and is therefore exempt from property taxation. This exemption reduces the available property tax revenue, which limits the total general obligation bonding capacity for the county and any smaller political subdivisions (such as municipalities and school districts) in which the project is located.	No data for estimating the direct revenue cost of these tax expenditure currently exist as the enabling statute provides no means for tracking the real property constructed or use of funds as a result of an industrial revenue bond. The municipality or county issuing an IRB and any agent of that political subdivision presumably should be able to account for the value of such property and use of funds. No uniform system of tracking the use of IRBs currently exists, however.
Trade-Support Companies in Border Zone Deduction against Gross Receipts Tax	The receipts of a trade-support company may be deducted from gross receipts if the trade-support company first locates in New Mexico within 20 miles of a port of entry on New Mexico's border with Mexico on or after July 1, 2003 but before July 1, 2013, and subject to other qualifications. New Mexico's geographic proximity to Mexico creates the opportunity to establish a viable import-export economy. This tax expenditure provides support to new businesses, and better allows New Mexico trade-support companies to compete with neighboring border states.	No direct data for this tax expenditure currently exist.
Hosting World Wide Web Sites Deduction against Gross Receipts Tax	All receipts from hosting web sites are deductible from gross receipts tax.	No direct data for this tax expenditure currently exist.
Military Acquisition Programs Deduction against Gross Receipts Tax	Receipts from military transformational acquisition programs performing research and development and test and evaluation services at New Mexico major range and test facility bases are deductible from gross receipts taxes. "Transformational acquisition program" means a military acquisition program authorized by the office of the secretary of defense force transformation, and not physically tested in New Mexico on or before July 1, 2005. The deduction provided does not apply to receipts of a prime contractor operating facilities designated as a national laboratory.	No direct data for this tax expenditure currently exist.
Military Construction Services Deduction against Gross Receipts Tax	Receipts from military construction services provided at New Mexico military installations to implement special operations mission transitions projects pursuant to contracts entered into with the U.S. Department of Defense are deductible from gross receipts tax Such military installation is to be located in a class B county with a population greater than 42,000, and with a net taxable value for rate-setting purposes of less than one billion dollars.	No direct data for this tax expenditure currently exist.

Tax Expenditures for Specific Public Purposes

- Cultural Property Preservation Tax Credits

($1,000s)	FY2007		FY2008		FY2009		FY2010		FY2011	
	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Cultural Property Preservation Credits Against CIT & PIT	75	$230.5	91	$235.4	85	$266.6	80	$229.4	42	$84.0

- A credit may be taken against corporate and personal income tax for restoring, rehabilitating or preserving properties listed on the New Mexico Register of Cultural Properties.
- The credit is equal to 50% of the cost of construction.
- The credit may not exceed $25,000 if listed on the New Mexico Register of Cultural Properties, or $50,000 if the property is within an arts and cultural district designed by the state or a municipality as designated in the Arts and Cultural District Act.

Tax Expenditures for Specific Public Purposes

- Agricultural Water Conservation Tax Credits

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Agricultural Water Conservation Credits Against CIT & PIT	0	$0.0	0	$0.0	19	$56.5	11	$42.0	0	$0.0

- A credit may be taken against corporate and personal income tax for agricultural water conservation expenses incurred by the taxpayer for specific improvements in irrigation systems or water management methods. The expenses must comply with a water conservation plan approved by the local soil and water conservation district .
- The credit amount is 35% of eligible expenses incurred in calendar year 2008, and 50% of expenses in subsequent years through December 31, 2012 (when the credit is scheduled to sunset).

Tax Expenditures for Specific Public Purposes

Land Conservation Tax Credits

	TY2007		TY2008		TY2009		TY2010		TY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Land Conservation Tax Credit Against CIT	0	$0.0	0	$0.0	[redacted]	[redacted]	4	$2,247.5	NA	NA
Land Conservation Tax Credit Against PIT	22	$441.8	25	$284.5	40	$1,338.2	51	$1,289.9	27	$463.2
TOTAL	22	$441.8	25	$284.5	[redacted]	[redacted]	4	$3,537.4	27	$463.2

- A credit is available against personal and corporate income taxes, and franchise tax liability in an amount equal to fifty percent (50%) of the fair market value of land contributed.
- Land that conveyed for the purpose of open space, natural resource or biodiversity conservation, agricultural preservation or watershed or historic preservation as an unconditional donation in perpetuity by the landowner or taxpayer to a public or private conservation agency for conservation or preservation purposes.
- The amount of the credit that may be claimed by a taxpayer shall not exceed $100,000 for a conveyance made prior to January 1, 2008, or not exceed $250,000 for a conveyance made on or after that date.
  - The credit can only be used to offset tax liability otherwise due.
  - The credit may be carried-forward for up to 20 years.

Tax Expenditures for Specific Public Purposes

- Jobs Mentorship Tax Credit

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Job Mentorship Tax Credits Against CIT & PIT	5	$15.2	7	$25.1	5	$13.9	2	$12.6	NA	NA

- A credit against the against personal and corporate income tax is provided to businesses hiring qualified students (attending an accredited New Mexico secondary school full-time) in a school-sanctioned, career-preparation education program.
- The maximum aggregate credit allowable shall not apply to more than ten qualified students employed by the taxpayer for up to 320 hours of employment of each qualified student in each taxable year, for a maximum of 3 taxable years for each qualified student.
- A taxpayer may not claim a credit in excess of $12,000 in any taxable year.
  - The employer must certify that hiring the qualified student does not displace or replace a current employee.

Tax Expenditures for Specific Public Purposes

- Non-athletic Special Events Deduction Against Gross Receipts Tax

($1,000s)	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Nonathletic Events Deduction Against GGRT	N/A	$36.1	$22.8	$99.3	$71.2

- Receipts from admissions to nonathletic special events held at a venue that holds at least 10,000 people and is located on the campus of a post-secondary school within 50 miles of the New Mexico border are deductible from gross receipts.
- The governmental gross receipts tax rate is used in lieu of the gross receipts tax rate because New Mexico State University previously applied the governmental gross receipts tax to income from special events. After the gross receipts tax deduction was enacted, the performer contracts were revised to take advantage of the gross receipts tax deduction. In the absence of this tax expenditure, the Pan American Center would presumably revise contracts to move the receipts, once again, under the governmental gross receipts tax provisions.
- There is no ability to know the extent to which this deduction "allows" bookings at NMSU that would not otherwise be economic for promoters.

Tax Expenditures for Specific Public Purposes

- Officiating at NMAA-Sanctioned School Events Exemption from GRT

	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Officiating NMAA-Sanctioned Events Exemption from GRT	$152.2	$151.7	$158.2	$160.8	$166.7

- Receipts from refereeing, umpiring, scoring, or other officiating at school events sanctioned by the New Mexico Activities Association (“NMAA”) are exempt from gross receipts taxation.
- No direct data for this tax expenditure is reported and the enabling statute provides no means for tracking the use of this deduction. The estimates presented rely on data from the NMAA officials’ fee rate for the 2011-2012, and were used to estimate the amount of receipts that would qualify for the deduction.

Tax Expenditures for Specific Public Purposes

- Gasoline and Special Fuels Tax Issues: Tax Rate Differential

($1,000's)	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Gasoline Tax versus GRT	($28,493.8)	($10,074.2)	($30,667.0)	($23,270.7)	($5,912.5)
Special Fuels Tax versus GRT	($31,620.8)	($10,070.4)	($38,408.5)	($25,783.6)	($6,081.8)

- The primary beneficiary of the fuel excise taxes is the State Road Fund, although distributions are also provided to the State Aviation Fund, Motorboat Fuel Tax Fund, County Government Road Fund, Municipal Roads Fund, Local Governments Road Fund, County, Municipal and Tribal Governments, and the General Fund. A tax rate differential between gross receipts tax (GRT) and the fuels taxes would impact distributions to these beneficiaries.
- A $0.17 per gallon tax is imposed on gasoline, and a $0.21 per gallon tax is imposed on special fuels for the privilege of receiving special fuels in New Mexico. This is in lieu of the statewide GRT currently at 5.125% (ignoring local options), producing significantly greater revenues to these funds under the fuels excise taxes.

Note: When the average price of gasoline rises above $3.32 per gallon and the average price of special fuels exceed $4.10 per gallon, the GRT would produce higher revenues than do the respective excise taxes.

Tax Expenditures for Specific Public Purposes

- Fuels Tax Issues: Federal & Indian Deductions/Exemptions Tax Expenditures

($1,000s)	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Gasoline Tax Deductions against Gasoline Tax 7-13-4. E (Retail Sales from Indian Lands)	$8,367.6	$6,497.8	$5,848.7	$6,320.1	$4,914.0
Gasoline Tax Deductions against Gasoline Tax 7-13-4.4 (Additional Deduction: Certain Retail Sales on Indian Lands)	$169.2	$1,239.5	$1,437.7	$1,362.4	$1,180.3
Gasoline Tax Deductions against Gasoline Tax 7-13-4. F (Special Indian Distributor Sales)	N/A	N/A	N/A	N/A	N/A
Petroleum Products Loading Fee 7-13A-4(B) (US Govt)	$282.7	$243.2	$204.4	$244.9	$302.8
Alternative Fuels Tax Exemption 7-16B-5 (Federal, State or Indian Use)	$96.0	$88.3	$199.7	$135.3	$118.2

- Under Section 7-13-4(E) a Gasoline Tax Deduction is allowed for gasoline received and sold at retail by a NM registered Indian tribal distributor on the tribal lands, and the Indian nation, tribe or pueblo has certified that it has in effect an excise, privilege or similar tax on the gasoline, then a deduction in proportion to the percentage of tribal tax to the gasoline tax may be deducted (up to 100% of the gallons sold).
- Under Section 7-13-4.4 a Gasoline Tax Deduction is allowed for gasoline received and sold at retail by *other than* a registered Indian tribal distributor if the sale occurs on the tribal lands, the Indian nation, tribe or pueblo has certified that it has in effect an excise, privilege or similar tax on gasoline, then a deduction in proportion to the percentage of tribal tax to the gasoline tax may be deducted (up to 100% of the gallons sold), and the distributor is subject to and in compliance with the tax on gasoline imposed by the Indian nation, tribe or pueblo where the sale occurs.

Tax Expenditures for Specific Public Purposes

- Fuels Tax Issues: Special Use Deductions/ Exemptions Tax Expenditures

($1,000s)	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Special Fuels Suppliers' Deduction 7-16A-10(F) (PubEd School Buses)	$102.2	$102.9	$144.0	$95.9	$218.1
Alternative Fuels Tax Exemption 7-16B-5. Reg. 3.16.300.8	$0.3	$14.7	$0.2	$0.0	$1.1

- Under Section 7-16A-10(F) a Special Fuel Tax Deduction is allowed for special fuel that is number 2 diesel fuel sold for the generation of power to propel a vehicle authorized by contract with the public education department as a school bus.
- Under Section 7-16B-5 and NMAC Reg. 3.16.300.8, an Alternative Fuels Tax Deduction is allowed for fuel sold for non-highway use when it is delivered for use in stationary equipment or for residential or commercial heating or cooling purposes, but is subject to GRT.

Tax Expenditures for Specific Public Purposes

- Other Public Purpose Tax Expenditures

TAX EXPENDITURE	DESCRIPTION	APPLICATION
Biodiesel Deduction Against Special Fuels Excise Tax	Under Section 7-16A-10(H) special fuel received in New Mexico that consists of at least ninety-nine percent vegetable oil or animal fat; provided that the use is restricted to an auxiliary fuel system that is subject to a certificate of conformity pursuant to the federal Clean Air Act	Data on deducted gallons are collected with the Combined Fuel Tax Report for Distributors, Suppliers and Wholesalers Form (RPD-41306). However, in period since enacted effective TY2009 t there have been no claims for this deduction report.
Electronic ID Card Readers Credit against Personal and Corporate Income Tax	New Mexico provides a one-time credit up to $300 to a taxpayer licensed to sell cigarettes, other tobacco products or alcoholic beverages for the purchase of electronic card-reading equipment for age verification. The credit is allowed for each business location where the business installs the equipment.	Although the credit would be reported on either the Corporate or Personal Income Tax returns, there have been no credits claimed since TY2007.
Event Center Surcharge Exemption against Gross Receipts or Governmental Gross Receipts Taxes	Receipts from selling tickets, concessions, and all other products or services sold at or related to a municipal event center on which an event center surcharge is imposed pursuant to the Municipal Event Center Funding Act are exempt from the gross receipts tax. Revenue from the event center surcharge is earmarked for payment on bonds issued to secure funding for the construction of the event center. By statute, a surcharge of at least 5% is imposed on each vendor contract [Section 3-66-4 NMSA 1978]. To the extent that the county or municipality could have obtained funding through general obligation bonds, without imposing either a surcharge or receiving an exemption from that surcharge, this is a tax expenditure. Moreover, unlike general obligation bonds which are secured with local government revenues, this exemption effectively reduces state revenues to provide payment for local government bonds.	No direct data for this tax expenditure currently exist.
Stadium Surcharge Exemption against Gross Receipts or Governmental Gross Receipts Taxes	Receipts from selling tickets, concessions, and all other products, services or activities sold at, related to or occurring at a minor league baseball stadium on which a stadium surcharge is imposed under the Minor League Baseball Stadium Funding Act are exempt from gross receipts and governmental gross receipts taxes. This tax expenditure is identical to the Event Center Surcharge Exemption. This tax expenditure reduces the cost of admission, products and services, and dedicates the proceeds of the surcharge to funding for the construction, operation and maintenance of those facilities.	No direct data for this tax expenditure currently exist.

Tax Expenditures for Health Care Facilities and Programs

- Health Care Practitioners Deduction against GRT Tax Expenditure

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Health Care Practitioners Deduction Against GRT	19,457	$54,609.7	19,423	$57,693.2	19,064	$59,473.4	19,281	$64,293.3	NA	$70,409.9

- Receipts of licensed health care practitioners from payments by managed health care providers or health care insurers for commercial contract services or Medicare Part C services provided by a health care practitioner may be deducted from taxable gross receipts.
- Excludes receipts for payments made directly by a patient for copayments and deductibles.
- The revenues of municipal and county governments are to be held harmless from the deduction, requiring a distribution of approximately 40% of the tax expenditure's foregone revenue as an additional direct burden on the General Fund.

Tax Expenditures for Health Care Facilities and Programs

- Medical Services Deduction against GRT Tax Expenditure

($1,000s)	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Medical Services Deduction Against GRT	$36,913.1	$39,808.3	$42,859.5	$45,171.4	$47,107.7

- Receipts from payments by the US government or any agency thereof for Medicare services, payments by a third-party administrator of the federal TRICARE program, and from payments by or on behalf of the Indian Health Service received by certain medical practitioners (e.g., medical-related facilities, receipts of medical doctors and osteopathic physicians) for the provision of medical and other health services to covered beneficiaries.
- No direct data for this tax expenditure currently exist as the enabling statute provides no means for tracking the use of this deduction. Data from the Centers for Medicare and Medicaid Services (CMS) on Medicare expenditures by state of residence were used to estimate the cost of this tax expenditure with respect to only the Medicare deduction. State level data were not available for TRICARE or Indian Health Service expenditures.
- Receipts from Medicaid spending do not qualify for this or any other health care tax expenditures.

Tax Expenditures for Health Care Facilities and Programs

- Prescription Drugs Deduction against GRT Tax Expenditure

($1,000s)	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Prescription Drugs Deduction Against GRT & GGRT	$50,549.6	$53,965.5	$56,060.2	$58,424.1	$61,310.8

- Receipts from sales related to certain drugs and medical equipment, including prescription drugs, oxygen, and oxygen services.
- No direct data for this tax expenditure currently exist as the enabling statute provides no means for tracking the use of this deduction. Data on total retail sales of prescription drugs in New Mexico in calendar year 2010 were obtained, and extrapolated to other years based on growth factors from the Centers for Medicare and Medicaid Services' projections of health care spending. Data is not available for expenditures on oxygen and oxygen services.

Tax Expenditures for Health Care Facilities and Programs

- Unpaid Doctor Services Provided in a Hospital GRT Credit Tax Expenditure

	FY2007		FY2008		FY2009		FY2010		FY2011	
	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Unpaid Doctor Services Credit Against GRT	N/A	N/A	45	$269.7	211	$488.9	329	$1,252.2	312	$1,379.9

- Licensed medical doctors and licensed osteopathic physicians may claim a credit against gross receipts taxes due for one hundred percent (100%) of the value of unpaid bills for medical care services performed while on call to a hospital.
- Note the rapid escalation of this tax expenditure in the last four years, increasing at an annual rate exceeding fifty percent (50%) annually. Enacted in 2007, there was a 3 year phase-in starting in 2008.
- The federal Emergency Medical Treatment and Active Labor Act (EMTALA) require hospitals and their physicians to provide medical screening examinations and stabilization of all individuals seeking emergency care, regardless of ability to pay.

Tax Expenditures for Health Care Facilities and Programs

- Hospitals Deduction against GRT Tax Expenditure

	FY2007	FY2008	FY2009	FY2010	FY2011
($1,000s)	Amount	Amount	Amount	Amount	Amount
Hospitals Deduction Against GRT	$39,122.3	$44,689.9	$40,615.3	$41,198.3	$41,275.7

- A deduction against gross receipts of fifty percent (50%) of the receipts remaining is provided after all other appropriate deductions are taken by hospitals licensed by the Department of Health.
- No direct data for this tax expenditure currently exist. Gross receipts tax data from the hospitals sector were obtained from the TRD's RP-80 Report and used to estimate the direct revenue cost of the deduction.

Tax Expenditures for Health Care Facilities and Programs

- Hospitals Credit against GRT Tax Expenditure

	FY2007		FY2008		FY2009		FY2010		FY2011	
	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Hospitals Credit Against GRT	N/A	N/A	57	$592.0	200	$4,711.1	198	$7,462.4	211	$9,957.2

- A credit against gross receipts tax is provided for hospital facilities that provide emergency or urgent care, inpatient medical care and nursing care for acute illness, injury, surgery or obstetrics. This includes facilities identified as a critical access hospital, general hospital, long-term acute care hospital, psychiatric hospital, rehabilitation hospital, limited services hospital and a special hospital.
- The credit, escalating from as little 0.755% starting July 1, 2007, to as much as 5% after July 1, 2011, depends in part on whether the hospital is located in a municipality or unincorporated area of a county.

Tax Expenditures for Health Care Facilities and Programs

- New Mexico Medical Insurance Pool Assessment Credit against Premium Tax

($1,000s)	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
NMMIP Assessment Credit Against Insurance Premium Tax	$14,498.9	$26,262.5	$40,353.5	$47,244.8	$57,603.7

- A health insurer is allowed a credit on its Insurance Premium Tax return equal to 50% of the value of an assessment paid by that entity, and a credit equal to 75% of the value of an assessment paid by that entity for assessments attributable to pool policy holders that receive premiums, in whole or in part, through certain higher risk patient programs.
- The rapid escalation of the credits against NMMIP Assessments, increasing at more than 31% per year in the past five years, imposes a substantial impact on the General Fund.
- The federal Patient Protection and Affordable Care Act (PPACA) could have implications for this tax expenditure if its provisions are phased in through 2014. By way of a health insurance exchange or some other mechanism that ensures coverage for individuals currently covered under the NMMIP, the PPACA could render the state's insurance pool obsolete.

Tax Expenditures for Health Care Facilities and Programs

- Rural Health Care Practitioners Credit against Personal Income Tax

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Rural Health Care Practitioner Credit Against PIT	N/A	N/A	1,276	$5,172.2	1,385	$5,464.1	1,447	$5,655.5	1,068	$4,181.9

- An eligible health care practitioner who provides health care services in a rural health care in an underserved area may claim a credit $3,000 or $5,000 against the personal income tax liability (subject to certain qualifying criteria).
- The tax expenditure provides financial support to community-based primary care health clinics throughout the state ensuring the provision of basic health care for the underserved.

Tax Expenditures for Health Care Facilities and Programs

- Medical Care Savings Accounts Exemption against Personal Income Tax

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Medical Care Savings Accounts Exemption Against PIT	302	$43.3	357	$57.8	816	$63.4	804	$59.6	782	$4,763.7

- The interest earned on medical care savings accounts and money reimbursed to an employee for eligible medical expenses from those accounts or money advanced to the employee by the employer for eligible medical expenses are exempt from taxation.
- The tax expenditure piggy-backs on federal tax treatment of these contributions to medical care savings accounts.

Tax Expenditures for Health Care Facilities and Programs

- Other Tax Expenditures

TAX EXPENDITURE	DESCRIPTION	APPLICATION
Construction of Public Health Care Facilities Deduction against Gross Receipts Tax and Sole Community Provider Hospital Construction Deduction against Gross Receipts Tax	Receipts from the sale of engineering, architectural and construction services, equipment, and material to a foundation or nonprofit organization for use in the construction of new facilities for a sole community provider hospital located in a federally designated health professional shortage area (HPSA) are deductible from gross receipts. This deduction intends to provide an incentive for the construction of new medical facilities located in HPSAs. HPSAs are designated using five criteria: population-to-primary care physician ratio, percent of the population with incomes below the poverty level, infant mortality rate, low birth weight rate, and travel time or distance to nearest available source of care. There are approximately 369 HPSAs in New Mexico as defined by county, geographical area, census tract, or other type. The foundation or a nonprofit organization is required to enter into a written agreement with a county to pay at least 95% of the costs of new facility construction of that sole community provider hospital. The buyer must deliver to the seller of the services either an appropriate nontaxable transaction certificate or other evidence acceptable to the secretary of a written agreement made in accordance this statute.	No direct data for this tax expenditure currently exist. The fiscal impact report for the enabling legislation suggests only one potential construction project was likely to qualify for the deduction at the time of enactment. This facility, with an expected construction cost of $11 million, would have generated a gross receipts tax liability of approximately $687 thousand in fiscal year 2007. The Taxation and Revenue Department is aware of no other projects qualifying for the deduction.
Hearing and Vision Aides Deduction against Gross Receipts Tax	Receipts from selling vision aids or hearing aids or related services are deductible from gross receipts.	No direct data for this tax expenditure currently exist.

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Retail Food Sales Deduction from Gross Receipts Tax Expenditure

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Food Sales Deductions Against GRT	3,480	$160,419.1	3,419	$226,609.0	3,265	$199,174.3	3,184	$205,415.8	NA	$219,425.0

- A tax expenditure is provided by a deduction from gross receipts tax liability for qualifying food sales at retail food stores.
- In addition to the foregone revenue from the deduction, the hold-harmless General Fund transfer to local governments means that the full revenue burden of the food deduction falls on the State.
- The tax expenditure is roughly equal to 10% of annual General Fund Gross Receipt Tax revenue, and roughly 4% of total General Fund revenues.
- The food deduction also imposes a relatively high administrative cost because the deduction must be separately stated on the GRT return.

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Textbook Exemptions from Gross Receipts Tax Expenditure

	FY2007	FY2008	FY2009	FY2010	FY2011
($1,000s)	Amount	Amount	Amount	Amount	Amount
Textbook Exemption from GRT	$6,664.0	$6,290.8	$5,938.5	$5,605.9	$7,059.3

- Qualifying receipts are from textbooks sold by a bookstore located on the campus of the institution and operated pursuant to a contractual agreement with that institution to a student enrolled at the institution who displays a valid student identification card.
- No direct data for this tax expenditure currently exist. However, data from ten major New Mexican institutions of higher education is used to create these estimates, relying on these institutions estimated cost of books and supplies for a given year.

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Low Income Tax Expenditures Against Personal Income Tax

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Low Income Comprehensive Tax Rebate against PIT	271,848	$24,244.4	290,516	$25,553.9	288,841	$24,948.6	272,759	$24,823.7	250,745	$21,132.4
Low Income Property Tax Rebate against PIT	73	$20.2	82	$22.7	66	$20.0	1,219	$352.1	1,406	$407.4
Low- and Middle-Income Persons Exemption against PIT	499,695	$16,558.9	621,393	$25,673.1	626,866	$25,824.7	617,032	$26,042.8	582,975	$24,799.5
TOTAL	NA	$40,823.5	NA	$51,249.7	NA	$50,793.3	NA	$51,218.6	NA	$46,339.3

- Notable is the wide-spread utilization of two of these three lower income targeted tax expenditures.
- The comprehensive rebate ranges from $10 to $120 for each dependent in a household, decreasing with modified gross incomes up to $22,000.
- The low income property tax rebate may be claimed by individuals with (1) a principal place of residence in a county that has enacted an ordinance authorizing the rebate and (2) modified gross income of less than $24,000. The rebate amount cannot exceed $350 ($175 if married filing separately), and currently only Los Alamos and Santa Fe Counties have enacted the required ordinances.
- The tax exemption can be claimed by individuals based on the number of federal tax exemptions, and with incomes up to $55,000 (with maximum claim of $2,500/exemption).

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Elderly Population Tax Expenditures

($1,000s)	FY2007		FY2008		FY2009		FY2010		FY2011	
	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Persons 100 Years of Age or Older Exemption against PIT	83	$72.3	95	$69.1	96	$98.0	95	$86.4	73	$53.5
Persons 65 Year of Age or Older Property Tax Rebate against PIT	19,475	$3,639.8	19,170	$3,594.2	18,408	$3,507.3	17,290	$3,313.1	16,245	$3,163.3
Persons 65 Years of Age or Older or Blind Exemption against PIT	76,349	$4,898.8	81,903	$5,256.7	83,657	$5,335.3	85,285	$5,477.8	80,813	$5,148.2
Unreimbursed or Uncompensated Medical Expenses for Persons 65 Years of Age or Oder Exemption against PIT	1,337	$142.0	1,519	$165.1	1,644	$167.8	1,556	$158.4	1,180	$125.1
Unreimbursed or Uncompensated Medical Expenses for Persons 65 Years of Age or Older Credit against PIT	1,038	$2,900.8	1,276	$3,560.2	1,341	$3,750.6	1,326	$3,703.0	3,127	$1,235.6
TOTAL	**NA**	**$11,654**	**NA**	**$12,645**	**NA**	**$12,859**	**NA**	**$12,739**	**NA**	**$9,726**

- Averaging nearly $12 million per year for the last five years, these tax expenditures against PIT liability provide significant economic benefits to the elderly citizens of New Mexico .

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Children, Working Families and Educational Trust Tax Expenditures

($1,000s)	FY2007		FY2008		FY2009		FY2010		FY2011	
	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Child Care Credit against PIT	3,688	$1,378.3	3,156	$1,186.1	4,078	$1,446.6	4,356	$1,604.7	4,139	$1,520.5
Educational Trust Fund Payments Deduction against PIT	3,719	$1,538.7	4,148	$1,981.5	3,989	$1,156.5	3,634	$937.4	3,278	$824.3
Special Needs Adopted Child Tax Credit against PIT	0	$0.0	532	$867.5	654	$1,082.0	684	$1,163.0	692	$1,207.5
Working Families Tax Credit against PIT	N/A	N/A	183,639	$30,146.9	192,469	$40,358.6	198,061	$45,335.2	203,447	$46,293.5

- This group of tax expenditures are generally directed to economically support New Mexico's children, education and families.
- In general, these programs provide direct economic support to children and families that supplant other forms of social support programs.
- In addition to these specific tax credits, the Head-of-Household Property Tax exemption (described below) would be included in the general category of tax expenditures.

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Non-Profit Elderly Care Facilities Exemption Tax Expenditures

	FY2007	FY2008	FY2009	FY2010	FY2011
	Amount	Amount	Amount	Amount	Amount
Non-Profit Elderly Care Facilities Against GRT	$892.73	$881.82	$912.26	$908.60	$932.43

- This tax expenditure exempts from gross receipts taxes the receipts of nonprofit entities operating facilities for retired elderly persons, and promotes the private provision of housing for retired elderly persons through such nonprofit entities.
- No direct data can support an estimate of the direct revenue cost of the tax expenditure. The exemption, if used, would negatively impact revenues, but it is impossible to definitively quantify its usage or cost.
- Data from a National Center for Charitable Statistics (NCCS) report were used to create these estimates. The reported annual total revenue for nonprofits that provided housing and other medical service to senior citizens in NM was used to calculate the forgone revenue estimates. It is assumed that only 50% of the total revenue would constitute taxable receipts.

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Working Families Personal Income Tax Credit Tax Expenditure

	FY2007		FY2008		FY2009		FY2010		FY2011	
($1,000s)	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount	Claims	Amount
Working Families Credit against PIT	NA	NA	183,639	$30,146.9	192,469	$40,358.6	198,061	$45,335.2	203,447	$46,293.5

- Under this tax expenditure individuals may claim a credit against their NM personal income tax equal to 10% of their federal Earned Income Tax Credit (EITC).

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Other Family-related Tax Expenditures

TAX EXPENDITURE	DESCRIPTION	APPLICATION
Child Care Tax Credits	Any resident who files an individual New Mexico income tax return and who is not a dependent of another taxpayer may claim a credit for the expenses of child care services. A resident who files an individual New Mexico personal income tax return who has a modified gross income of not more than the equivalent of double the federal minimum wage may take a credit for 40% of actual compensation paid to a caregiver and may not exceed $480 for each qualifying dependent or $1,200 for all qualifying dependents in any taxable year. Corporations providing or paying for licensed child care services for employees' children under 12 years of age may deduct 30% of eligible expenses from their corporate income tax liability (up to $30,000).	Approximately $1.5 million per year of tax relief for child care services has been provided over the last five years under these tax expenditure programs, as reported on corporate and personal income taxes.
Educational Trust Fund Payment Deductions	The tax expenditure against personal income tax is allowed as a deduction from net income in an amount equal to the payments made by the taxpayer into the education trust fund pursuant to a college investment agreement or prepaid tuition contract under the Education Trust Act (Section 21-21K-1 NMSA 1978). Nearly $1.3 million per year has been deducted from personal income tax liabilities for the deposits into this educational trust fund by New Mexico taxpayers, building asset balances that will be used to offset the future educational costs of these taxpayers' dependents. The board shall account for each payment from an investor or purchaser on behalf of a beneficiary pursuant to a college investment agreement or prepaid tuition contract.	Nearly $1.3 million per year has been deducted from personal income tax liabilities for the deposits into this educational trust fund by New Mexico taxpayers, building asset balances that will be used to offset the future educational costs of these taxpayers' dependents.
Special Needs Adopted Child Tax Credit	This tax expenditure provides financial incentive for the adoption of special needs children. Enacted in 2007, a taxpayer who has adopted a special needs child (an individual certified as a "difficult to place child") may claim a credit in the amount of one thousand dollars ($1,000). If the amount of credit due to a taxpayer exceeds the taxpayer's individual income tax liability, the excess is refunded.	This tax expenditure has provided credits of nearly $1.1 million per year in support of these special needs adoption activities since its enactment.
Head-of-Household Exemption Against Property Tax	Up to two thousand dollars ($2,000) of the taxable value of residential property is exempt if the property is owned by the head of a family who is a New Mexico resident or if the property is held in a grantor trust. It is important to note that the assessment authorities may do a poor job in educating taxpayers on the exemption. Based on the property tax abstracts, there are about 281,000 taxpayers taking advantage of this exemption. The 2.0 million population of New Mexico would imply 800,000 households, assuming 2.5 persons per household. Assuming that there is roughly 80% home ownership in the state would imply 640,000 homeowners eligible for the Head-of-Household Exemption. Even if this estimate is high, it still implies a poor job of promoting the exemption. Improved public outreach should be implemented.	This expenditure is particularly difficult to track, as the records of all 33 counties must be reviewed to determine the tax expenditure (i.e., there is no summary reporting mechanism). The direct revenue cost of the tax expenditure totaled $16.25 million with respect to property tax in FY 2011. The revenue impact is spread among all property tax beneficiaries, including school districts, municipalities, counties, community colleges, hospitals and others.

Tax Expenditures for Public Welfare, Elderly and Low Income Protections

- Other Veterans-related Tax Expenditures

TAX EXPENDITURE	DESCRIPTION	APPLICATION
National Guard Member Premiums Paid for Life Insurance Exemption against PIT	Payment from a service members' life insurance fund are exempt from New Mexico's personal income tax. This tax expenditure assists eligible members of the NM National Guard in the payment of life insurance premiums by exempting reimbursement received through the service members' life insurance reimbursement fund from personal income tax.	Over the last five years there have been an average of nearly 1,000 National Guardsman receiving an average total benefit on slightly more than $30,000 ($30/person) for all insurance policy exemptions.
Disabled Veterans Exemption Against Property Tax	The property of a disabled veteran, including joint or community property of the veteran and the veteran's spouse, is exempt from property taxation if it is the disabled veteran's principal place of residence. The tax expenditure is generally considered to be a social obligation to the disabled veterans and is some measure of recognition and support for the economic impact with which they are burdened by their service-related disability.	This expenditure is particularly difficult to track, as the records of all 33 counties must be reviewed to determine the tax expenditure (i.e., there is no summary reporting mechanism). The direct revenue cost of the tax expenditure totaled $9.86 million with respect to property tax in FY 2011.
Veterans Exemption Against Property Tax	Up to four thousand dollars ($4,000) of the taxable value of property, including the community or joint property of husband and wife, is exempt from the tax if the property is owned by a veteran or the veteran's unmarried surviving spouse if the veteran or surviving spouse is a New Mexico resident or if the property is held in a grantor trust. This revenue impacts is spread among all property tax beneficiaries, including school districts, municipalities, counties, community colleges, hospitals and others.	This expenditure is particularly difficult to track, as the records of all 33 counties must be reviewed to determine the tax expenditure (i.e., there is no summary reporting mechanism). The direct revenue cost of the tax expenditure totaled $8.37 million with respect to property tax in the FY 2011.

Tax Expenditures Related to Indian Nations, Tribes or Pueblos

- Intergovernmental Production Tax Credit Tax Expenditure

($1,000s)	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Intergovernmental Oil & Gas Production Tax Credit	$5,599.0	$6,102.0	$3,751.0	$2,786.0	$3,030.0
Intergovernmental Production Tax Credit against Coal Severance Tax	$5,478.6	$4,534.1	$3,810.2	$2,257.6	$3,267.4
TOTAL INTERGOVERNMENTAL RESOURCE PRODUCTION TAX CREDITS	**$11,077.6**	**$10,636.1**	**$7,561.2**	**$5,043.6**	**$6,297.4**

- This tax expenditure reduces the oil and gas severance tax, the oil and gas conservation tax, the oil and gas emergency school tax, and the oil and gas ad valorem production tax otherwise imposed by allowing a credit for a portion of tax where an Indian nation, tribe or pueblo also imposes taxes on production. This credit is similarly imposed on coal production from Indian lands.
- The credit is equal to seventy-five percent (75%) of the lesser of: (1) the aggregate amount of tax liability in effect on March 1, 1995, imposed by the Indian nation, tribe or pueblo upon the qualifying wells; or (2) the aggregate amount of the current tax liability imposed by the state from qualifying wells.

Tax Expenditures Related to Indian Nations, Tribes or Pueblos

- Business Activities Tax Exemptions

	FY2007 Amount	FY2008 Amount	FY2009 Amount	FY2010 Amount	FY2011 Amount
Federal, State, or Tribal Exemption against Cigarette Tax	$44,676.0	$38,848.0	$29,416.0	$28,460.0	$41,359.0

- A tax expenditure is created in the exemption against the tobacco products tax of sales to a federal government entity, Indian nation, tribe or pueblo, and to the State of New Mexico and its political subdivisions. Tribes are now required to impose a qualifying tribal cigarette tax of 75 cents, which generated approximately $18.3 million revenue to tribes in FY 2011.
- ***Business Activities Tax Exemptions*** Indian nations, Tribes and pueblos are generally exempt from taxation when conducting business on their own tribal lands. However, these entities are potentially subject to tax when doing business with non-tribal members. Because these transactions are usually subject to a tribal tax as well, a variety of provisions have been added to New Mexico statutes to reduce the double taxation of these transactions. These provisions are not treated as tax expenditures in this Report. An exception is made for the sale of cigarettes by tribal vendors to non-tribal members because the state's tax rate on these products is significantly higher than the tribal tax rates.