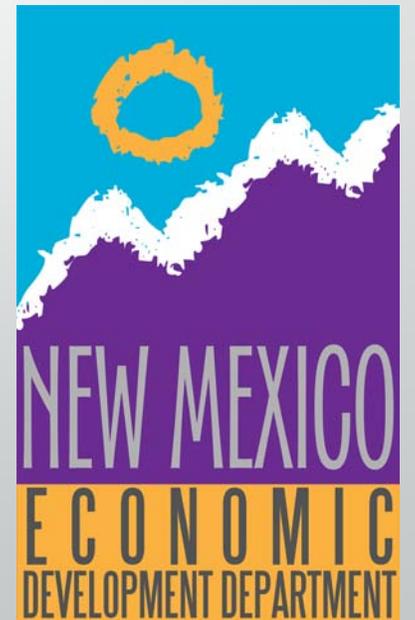


Locomotive Fuel Deductions

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Interim Report

- The legislation requires a review of the effectiveness of the deduction every six years beginning in 2019
- This report is based on reporting criteria specified in the legislation and by the rules adopted
- Shared reporting by the ED Department and Taxation and Revenue is necessary as each hold some of the required information

Deductions for Locomotive Fuel

- In 2011, the Legislature enacted the GRT and compensative tax deductions for locomotive fuel “to encourage the construction, renovation, maintenance and operation of railroad locomotive refueling facilities and other railroad capital investments in New Mexico.”
 - Representative Powdrell Culbert – HB523 in 2011 Regular Session
 - Representative Patty Lundstom – HB120 amended the statute in 2013 Regular Session
- 2 key dates to be eligible for the deductions, a common carrier must
 - Make a capital investment of \$100,000,000 or more in new construction or renovations at the railroad locomotive refueling facility in which the fuel is loaded or used after July 1, 2011 or
 - Make a capital investment of \$50,000,000 or more in new railroad infrastructure improvements, including railroad facilities, track, signals and supporting railroad network, located in New Mexico on or after July 1, 2012.
 - New railroad infrastructure improvements cannot be required by a regulatory agency to correct problems, such as regular or preventive maintenance, specifically identified by that agency as requiring necessary corrective action.

Eligibility

- EDD is Required to
 - Certify a taxpayer's eligibility for the deductions
 - Promulgate rules for issuance of that certificate of eligibility, and
 - Track the jobs created by the deductions
- EDD has certified that both Union Pacific and BNSF have made the capital investment necessary to be eligible for the deductions

Union Pacific – Economic Report Data

- 2200 acre site located in Santa Teresa industrial park region
- Union Pacific has invested \$350M in the facility. Construction occurred from mid-2011 to mid-2014.
- Construction completed 1 year ahead of schedule
- Fully operational April, 2014
- 1,311 construction jobs for 3 years.
- As of 6/30/2014 406 new permanent jobs were created. 251 UP employees, 155 contractors.

BNSF

- BNSF Railway reported an increase of \$43M in operating revenue for 2013 over 2012 (\$1,440M in 2012 and \$1,483M in 2013).
- Announced mid-2012 to spend \$65M capital improvements in 2012 and \$90M in 2013 to make signal and main line track improvements in New Mexico and add a locomotive servicing area in Belen
- 1,173 construction jobs in FY14 and 1,125 in FY13. An increase of 48 jobs.
- Fuel purchased: \$28M GRT and \$67M Comp. in FY14.
- BNSF is one of the largest private sector employers in both Clovis and Belen with other facilities in Albuquerque and Gallup
- BNSF has 1,461 employees and annual payroll of \$118,629.6 in NM