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## FISCAL IMPACT REPORT

SPONSOR:	Maes	DATE TYPED:	02/07/00	HB	
SHORT TITLE:	Rural Job Tax Credit			SB	325
				ANALYST:	Eaton

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01*			
	\$ (5,600.0)			

(Parenthesis ( ) Indicate Revenue Decreases)

\* The Taxation and Revenue Department report that the impact may be as high as \$16 million.

Relates to House Bill 283 -Agricultural Processing Cluster Pilot Project

## **SOURCES OF INFORMATION**

Taxation and Revenue Department (TRD)

## **SUMMARY**

### Synopsis of Bill

This bill proposes a number of changes to the existing rural job credit:

1. Increase the maximum amount of rural job credit from \$4000 to \$8000 for "tier one" jobs and from \$2,000 to \$4,000 for "tier two" jobs.
2. Change the definition of "eligible employer" from one that has been approved for in-plant training assistance through the economic development department to any employer that "manufactures or produces a product in New Mexico or exports a non-retail service outside New Mexico."
3. Include "full-time" in the definition of "qualifying job".
4. Limit transfers of rural job credits to one per tax credit document.
5. Require "eligible employees" to be residents of New Mexico for at least one year.

## **FISCAL IMPLICATIONS**

According to the University of New Mexico's FOR-UNM forecast for the state economy, 7,900 new non-agricultural jobs will be created in rural areas of New Mexico during FY 2001. Approximately 70% will be in "tier one" areas (rural municipalities with population less than 15,000 and non-municipal rural areas), the remaining 30% will be in "tier two" areas (rural municipalities with population over 15,000). All rural employers, with the exception of some retailers, who expand employment in rural areas will be eligible for the credit. This fiscal impact analysis is **conservative** in that the only job growth it assumes is that which would have occurred in the absence of the rural job credit.

Applicable to jobs created between July 1, 2000 and June 30, 2005. Credits may be applied for until July 1, 2004.

#### **ADMINISTRATIVE IMPLICATIONS**

The Taxation and Revenue Department (TRD) report that this measure would require four additional FTE at a cost of \$140.0.

#### **CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP**

House Bill 283 (Pearce) - Agricultural Processing Cluster Pilot Project

#### **TECHNICAL ISSUES**

The bill's definition of "rural" excludes "any area within ten miles of the exterior boundaries of a municipality," but does not specify whether these miles are road miles or "crow" miles.

Neither the existing law nor the proposed amendments prevent employers from deducting the amount of the credit as wages and salaries. This is a "double dip".

## **OTHER SUBSTANTIVE ISSUES**

The Taxation and Revenue Department report that the vague language and broad scope of this bill make the potential for abuse high and fiscal impact uncertain.

JE/njw