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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/06/07  
LAST UPDATED 3/16/07      HB 434/aSFC

SPONSOR Heaton

SHORT TITLE Permanent High-Wage Jobs Tax Credit      SB \_\_\_\_\_

ANALYST Schardin

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
		*See Narrative	Recurring	General Fund
		*See Narrative	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Economic Development Department (EDD)

No Response Received From  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of SFC Amendment

The Senate Finance Committee amendment to House Bill 434 reinserts language to cause the high-wage jobs tax credit to continue to apply only to jobs created before July 1, 2009.

#### Synopsis of Original Bill

House Bill 434 makes permanent the high-wage jobs tax credit, which was enacted in 2004 and currently applies only to jobs created before July 1, 2009. The bill repeals the credit's January 1, 2010 repeal date and amends the credit to apply to all jobs created in the future.

### FISCAL IMPLICATIONS

The bill will only have a fiscal impact in the last half of FY10 and beyond, when it will prevent the high-wage jobs tax credit from being repealed. Without a response from TRD, it is difficult

to estimate the fiscal impact in FY10 and beyond. However, LFC analysis of data provided by TRD indicates high wage jobs tax credits claimed from September 2005 to December 2006 totaled \$249.3 thousand. This indicates that credits of about \$187.0 thousand are being claimed each year.

The bill will reduce general fund and local government revenues because one-quarter of the state's 5 percent gross receipts tax is shared with local governments and because 20 percent of compensating tax revenues is distributed to the small cities and small counties assistance funds.

### **SIGNIFICANT ISSUES**

The high-wage jobs tax credit may currently be claimed by an eligible employer who creates a new economic-based job that is filled for at least 48 weeks of the prior year. The credit may be claimed against the state gross receipts tax, the compensating tax, withholding taxes, and several smaller surcharges. To be eligible for the credit, more than half of an employer's sales in the previous year must have been made to persons outside of New Mexico.

The amount of the credit is equal to 10 percent of wages, not to exceed \$12 thousand per year, for each job that pays over \$40 thousand per year in a municipality with population over 40 thousand or for each job that pays over \$28 thousand per year in a smaller municipality or in an unincorporated area of a county. The credit is refundable and may be claimed for up to four years for each job created.

### **ADMINISTRATIVE IMPLICATIONS**

Processes are already in place to administer this credit.

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