PRIORITIES FOR 2020 LEGISLATIVE SESSION

The mission of Albuquerque Economic Development, Inc., is to strengthen the economy of the Albuquerque metropolitan area by recruiting new employers and assisting in the expansion of existing businesses, thereby generating jobs for New Mexicans and improving their standard of living.

AED encourages the Governor and the New Mexico State Legislature to continue supporting programs important to business recruitment, business growth and job creation. Action in these areas will help diversify our economy, create jobs for our neighbors, and revitalize our communities. Specifically, AED urges legislators to help revitalize and diversify our state's economy through these actions:

☑ Make manufacturers exempt from compensating and/or gross receipts tax on the purchase of qualified manufacturing equipment.

Under the Manufacturing Investment Tax Credit, qualified manufacturers may apply for a credit equal to the compensating tax rate (5.125%) of the value of eligible equipment used directly in the manufacturing process. The credit may be applied against the CRS-1 and is limited to up to 85% of the sum of taxes due during any reporting period. To be eligible, the manufacturer also must meet job creation requirements. Beginning July 1, 2020, the credit will cap the amount of qualified equipment at $2 million, and require companies to hire one full-time employee for each $100,000 of qualified equipment.

AED's recommendation:

1. Extend the credit to July 1, 2030.
2. Make an adjustment to the headcount requirement: Change the employment requirement to one full-time employee for each $750,000 of investment, up to $30 million, and then one full-time employee for each $1 million invested thereafter. The current employment-to-investment ratio hasn't been evaluated since 2003, and the industry landscape has changed significantly in the last 17 years. The ratio needs to be adjusted to coincide with the advancements in the automation of production equipment.
3. Expand the credit to also apply against gross receipts tax: This will eliminate the unintended consequence of destination-based sourcing.
4. Cap the credit at 5.125% for qualified equipment purchased through an Industrial Revenue Bond: This will ensure that companies realize the same value of the credit today, while maintaining the projected costs of the credit to what it is today.

Why is this important? Arizona, Colorado, Oklahoma and Texas, as well as 37 other states, do not tax manufacturing equipment. Offering a similar tax treatment in New Mexico would help to keep our state competitive in attracting and retaining manufacturers.

☑ Maintain funding for the Local Economic Development Act at $75 million.

LEDA, known as the job creation fund, is a key economic development tool. Companies that receive LEDA funding are reimbursed for eligible expenditures tied to hard assets such as land, buildings, tenant improvements, and infrastructure that stay in the community. In addition, there are safeguards in place to recover LEDA money if a company fails to live up to its commitments tied to capital investment and job creation. These clawbacks protect taxpayer investment.

AED's recommendation: AED encourages the State Legislature to appropriate annual funding sufficient to maintain the LEDA fund at $75 million, and to make the funding recurring and non-reverting. This level will help ensure adequate funding is in place for the economic development projects for which our state is competing, as well as for existing local employers that are expanding.

Why is this important? In FY 2019, $33.9 million of LEDA funds were awarded to 17 employers in eight New Mexico counties. Together, these companies will invest $1.7 billion in private dollars and create 2,891 new jobs for New Mexicans – a remarkable return on investment. As of January 2020, the LEDA fund had an available balance of $41.1 million. With $105 million in LEDA deals in the pipeline, the LEDA fund needs to be replenished to support these significant job-creation projects.

☑ Provide at least $12 million in annual funding for the Job Training Incentive Program.

The Job Training Incentive Program (JTIP) is a highly flexible state program that provides partial reimbursement of on-the-job training expenses for qualified employees of eligible companies. JTIP strengthens New Mexico's economy by providing financial incentives to companies that create new economic base jobs in the state. In addition, training funded by JTIP elevates the skill level of New Mexicans, making them more valuable employees. An investment in JTIP is an investment in New Mexico's workforce.

In FY 2019, JTIP awarded $16.7 million to 70 companies in 16 New Mexico counties. Those funds will be used to train 2,059 new employees, and the net new first-year payroll of these employees is estimated to be approximately $71.6 million.

AED's recommendation: To meet the needs of employers expanding or entering into the state, AED urges the Legislature to provide at least $12 million in annual funding for JTIP. This level will ensure that sufficient funds are available for qualifying businesses to train new employees. Unfortunately, the program received only $10 million for FY 2020, which means funding could be depleted before the fiscal year ends. As of January 2020, there is $3 million in JTIP funding available. AED encourages the Legislature to appropriate at least $12 million annually to the program going forward.

Why is this important? Due to high demand from expanding employers, JTIP has run out of funds before the end of the fiscal year, requiring the program to tap into funds allocated for the next fiscal year. This means businesses that are planning to utilize JTIP may need to modify or delay their plans to expand and hire new employees. Uncertainty in the availability of funding can negatively impact job growth.