

# ALBUQUERQUE ECONOMIC DEVELOPMENT

## Major Incentives for a Manufacturing Operation



**SAMPLE**

**Urban**

# SUMMARY OF INCENTIVES

URBAN	
Incentive	Estimated Value
IRB Real Property Tax Abatement (Land & Building - 20 Years)	\$3,038,607
IRB: Personal Property Tax Abatement (Equipment - 7 Years)	\$911,582
IRB: Gross Receipts & Compensating Tax Exemption	\$768,750
Job Training Incentive Program	\$1,562,697
High Wage Jobs Tax Credit	\$638,496
Manufacturing Investment Tax Credit	\$768,750
<b>Estimated Total</b>	<b>\$7,688,881</b>

*The ultimate value of the incentives will be dependent on actual investment values, adherence to program guidelines, the availability of funding, funding cycles, and approval by the appropriate state or local governing bodies in New Mexico. Incentive laws & regulations are subject to change. This report indicates potential incentives offered through the state of New Mexico and in no way indicates an actual offer. All calculations are estimates. Updated 12/15/2020*

# MAJOR INCENTIVES

- Industrial Revenue Bond
- Job Training Incentive Program
- High Wage Jobs Credit
- Manufacturing Investment Tax Credit

## Other Incentives / Benefits to Consider

- Single Sales Factor
- Industrial Revenue Bond
- Gross Receipts Tax Deduction on Consumables
- Technology Jobs and Research and Development Tax Credit
- NM State Corporate Income Tax Reduction
- Lottery Scholarship Program

# INDUSTRIAL REVENUE BOND (*IRB*)

- An IRB is a loan from the bond purchaser to a company where the loan proceeds and repayment flows through a governmental issuer. Instead of purchasing a facility directly, companies can enter into a lease with the issuer, provided the company will lease the facility from the issuer and, at the end of the lease, purchase the facility from the issuer for a nominal amount.
- IRBs can also be used when a developer is involved. A separate series of bonds is issued to finance the developer's real estate and building costs, and the tax savings of the IRB can flow through to the ultimate user through a sublease.
- The benefit of any remaining property tax abatement can be passed on to the new owner or flow through a lease in event of a sale or lease to a new user, under certain qualifying conditions.
- City council or county commission must vote to induce an IRB, and the community does not lend its credit to an IRB. The company must secure its own purchaser of IRBs or the company can purchase its own IRB.

# INDUSTRIAL REVENUE BOND (*IRB*)

- Allows for significant abatement of real and personal property tax.
- Exemption of gross receipts (7.875% City of Albuquerque) and compensating tax (5.125%)
- Amount of property tax exemption and term of bond is determined by each community\*
  - Albuquerque: up to 20 years; up to 95% abatement
  - Bernalillo County: up to 20 years; up to 70% abatement
  - Belen: up to 30 years; up to 67% abatement
  - Los Lunas: up to 30 years; up to 67% abatement
  - Rio Rancho: up to 30 years; up to 61% abatement

*\*Community abatement rates are subject to negotiation.*

# IRB EXAMPLE (*URBAN*)

- Assume company invests \$25 million in Albuquerque: \$10 million in land and building and \$15 million in equipment purchased out-of-state
- 20 Year Industrial Revenue Bond at 95% abatement
- Useful life of equipment is 7 years; straight-line depreciation

Real Property - Land and Building						
Year	Value	Assessed	Property Mill Levy Rate	Community Abatement	Estimated PILOT Due	Estimated Tax Abatement
1	\$10,000,000	\$3,333,333	0.047978	95%	\$7,996	\$151,930
<b>Estimated Taxes over 20 Years</b>					<b>\$159,927</b>	
<b>Estimated Tax Savings over 20 Years</b>						<b>\$3,038,607</b>

Personal Property - Equipment						
Year	Value	Assessed	Property Mill Levy Rate	Community Abatement	Estimated PILOT Due	Estimated Tax Abatement
1	\$15,000,000	\$5,000,000	0.047978	95%	\$11,995	\$227,896
<b>Estimated Taxes over 7 Years</b>					<b>\$47,978</b>	
<b>Estimated Tax Savings over 7 Years</b>						<b>\$911,582</b>

# IRB ADDITIONAL TAX SAVINGS

## Compensating Tax/Gross Receipts Tax Savings

The Industrial Revenue Bond Program offers an exemption from the New Mexico compensating tax of 5.125% on machinery and equipment purchased out-of-state and/or exemption from gross receipts tax of 7.875% for in-state purchases.

Compensating Tax Exemption			
Property	Value	Compensating Tax Rate	Estimated Tax Exemption
Equipment	\$15,000,000	5.125%	<b>\$768,750</b>

# JOB TRAINING INCENTIVE PROGRAM (*JTIP*)

The New Mexico Job Training Incentive Program is a highly flexible state program that provides on-the-job training. Customized classroom training may be provided by post-secondary educational institutions.

## The State May Reimburse

- Up to 50% of trainees' wage up to 1,040 hours for companies located in urban areas
- Up to 65% of trainees' wage up to 1,040 hours in rural areas
- Companies may receive an additional wage reimbursement of up to 10% above the standard rates by combining the 5% reimbursement for an eligible high-wage job and an additional 5% wage reimbursement for one of the two following conditions, provided the entry wage is at least the minimum rate for the Job Zone as outlined in the JTIP wage chart for Zones 1, 2, 3 and 4:
  - Trainee has graduated within the past twelve months from a post-secondary training or academic program at a New Mexico institute of higher education
  - Trainee is a U.S. Veteran
- Classroom training costs provided by New Mexico post-secondary educational institutions, \$35/hr for instructors' time capped at \$1,000/employee

“Hands-on” or production jobs qualify; technical jobs such as first-line supervisors and engineering generally qualify; support, administrative & sales positions are limited to 20% of total number of positions that qualify for funding



# JOB TRAINING INCENTIVE PROGRAM (*JTIP*)

## Conditions

- **Must be a new or expanding company in New Mexico that manufactures a product or a non-retail company that generates more than 50% of its service revenue from outside the state**
  - Corporate, international, national, regional and divisional headquarters may qualify if at least 50% of the company's revenues are derived from operations outside of NM
  - Manufacturers which perform research and development and engineering functions for their own products in NM, but manufacture elsewhere are eligible
  - Start-ups and early stage manufacturing companies may be eligible if the company is adequately capitalized to reach first production and/or able to deliver service per procedures as set forth by the JTIP board
- **Companies locating in urban areas that hire 20 or more employees must:**
  - Provide health insurance coverage to employees and dependents
  - Pay at least 50% of the employees' premium who elect coverage
- **Eligible employees (new hires) must be New Mexico residents for at least one year during their lifetime**
- **Positions must be filled within 6 months of JTIP application approval**
- **Hires must be guaranteed full-time employment upon successful completion of training**

# JTIP EXAMPLE (URBAN)

Job Title	Eligible Employees Year 1	Eligible Employees Year 2	Hourly Wage	Est. Allowable Training Hours*	Reimburse Rate**	Value per Employee
Assemblers	60	50	\$14.36	320	50%	\$2,298
Technicians	50	40	\$17.09	640	50%	\$5,469
First-Line Supervisors	9	6	\$24.20	960	50%	\$11,616
Engineers	8	5	\$43.19	1,040	55%	\$24,705
GA 1	6	5	\$22.22	1,040	50%	\$11,554
GA 2	5	5	\$28.85	1,040	55%	\$16,502
Plant Manager	1		\$52.88	1,040	55%	\$30,247
Total Eligible Employees	139	111				
Total Estimated Annual Value	\$895,562	\$667,134				
<b>Total Estimated Value</b>			<b>\$1,562,697</b>			

Example assumes all employees hired meet NM resident requirement. Positions shaded in gray qualify for JTIP through 20% rule.

NOTE: The reimbursement percentages may be adjusted at the discretion of the board based on availability of funds and/or sufficient appropriations.

\*Beginning July 1, 2021, the minimum wage eligibility for JTIP is \$14.00/hour in Urban areas. Please note that the minimum wage threshold requirements will be adjusting upwards each year for the next three fiscal years beginning July 1, 2021.

\*\*The JTIP Board uses the position's [O-Net](#) Job Zone classification and the hourly wage rate to determine allowable training hours. Proof of actual training hours will be required.

\*\*\*Reimbursement may be up to 55% for jobs that meet the high wage requirement. An additional 5% is available when companies meet certain qualifying conditions.

# JTIP PROGRAM MINIMUM WAGE THRESHOLD ADJUSTMENTS

Calendar Year 2021 (1/1/2021 – 12/31/2021) Statewide Minimum Wage: 10.50

Effective Date of JTIP Wage Thresholds FY 2022 (7/1/2021 - 6/30/2022)

Job Zone	Definitions	Hours	Min. Wage @ Hiring-Urban	Min. Wage @ Hiring-Rural	Days	Weeks
1	Little or no preparation needed	320	14.00	11.90	40	8
2a	Some preparation needed	480	15.50	12.40	60	12
2	Some preparation needed	640	17.00	12.90	80	16
3a	Medium preparation	800	18.50	14.40	100	20
3	Medium preparation	960	20.00	15.40	120	24
4	Considerable preparation needed	1040	23.00	16.40	130	26

Calendar Year 2022 (1/1/2022 – 12/31/2022) Statewide Minimum Wage: 11.50

Effective Date of JTIP Wage Thresholds FY 2023 (7/1/2022 - 6/30/2023)

Job Zone	Definitions	Hours	Min. Wage @ Hiring-Urban	Min. Wage @ Hiring-Rural	Days	Weeks
1	Little or no preparation needed	320	15.00	12.75	40	8
2a	Some preparation needed	480	16.50	13.25	60	12
2	Some preparation needed	640	18.00	13.75	80	16
3a	Medium preparation	800	19.50	15.25	100	20
3	Medium preparation	960	21.00	16.75	120	24
4	Considerable preparation needed	1040	24.00	17.75	130	26

Calendar Year 2023 (1/1/2023 – 12/31/2023) Statewide Minimum Wage: 12.00

Effective Date of JTIP Wage Thresholds FY 2024 (7/1/2023 forward)

Job Zone	Definitions	Hours	Min. Wage @ Hiring-Urban	Min. Wage @ Hiring-Rural	Days	Weeks
1	Little or no preparation needed	320	15.50	13.18	40	8
2a	Some preparation needed	480	17.00	13.68	60	12
2	Some preparation needed	640	18.50	14.18	80	16
3a	Medium preparation	800	20.00	15.68	100	20
3	Medium preparation	960	21.50	16.68	120	24
4	Considerable preparation needed	1040	24.50	17.68	130	26

# HIGH WAGE JOBS TAX CREDIT (*HWJTC*)

- Provides businesses with a tax credit equal to 8.5% (up to \$12,750 per job per year) of the value of salaries paying a net taxable wage of at least \$60,000 per year in communities with a population of 60,000 or more
  - Companies located in communities with a population less than 60,000 are eligible for the same tax credit for each net new job paying a net taxable wage at least \$40,000
- Qualified employers can take the credit for up to four years
- The refundable credit can be applied against the modified combined tax liability of the taxpayer, including the state portion of the gross receipts tax, compensating tax and withholding tax
  - Excludes the local options portion of the gross receipts tax
- To receive the tax credit, the company must file an application once per calendar year.
- The application for the calendar must be filed no later than December 31 of the following calendar year.
- Credit is set to sunset on June 30, 2026.

# HIGH WAGE JOBS TAX CREDIT (*HWJTC*)

## Qualifications

- Net taxable wages, without company paid benefits, must equal at least \$60,000 in an urban community or \$40,000 in a rural area to qualify as a high wage job.
  - Net taxable wages include: hourly wage, bonus, salary, vacation, sick/holiday time.
- Company must be eligible for the Job Training Incentive Program (JTIP), as defined in the JTIP 2019 Policy and Procedures Manual.
- Employer must be growing in eligible high wage jobs greater than the year before.
- Eligible employees cannot be relatives of the qualified employer or own more than 50% of the company.
- Jobs must be occupied by an eligible employee for 44 weeks.
- Any taxpayer that ceases operations in New Mexico must wait at least 2 calendar years before submitting a new application for the credit.

# HWJTC EXAMPLE (URBAN)

Job Title	Eligible Employee Year 1	Eligible Employees Year 2	Hourly Wage	Annual Value of Salary Per Employee	Annual Tax Credit Per Employee = 8.5% of Wages ( <i>max \$12,750 per year</i> )
Engineers	8	5	\$43.19	\$89,835	\$7,636
GA 2	5	5	\$28.85	\$60,008	\$5,101
Plant Manager	1		\$52.88	\$109,990	\$9,349
Total Eligible Employees	14	10			
Total Estimated Annual Value	\$95,941	\$63,683			
<b>Total Estimated 4 Year Value</b>	<b>\$383,762</b>	<b>\$254,733</b>		<b>\$638,496</b>	

# MANUFACTURING INVESTMENT TAX CREDIT

- Provides for a credit equal to 5.125% of the value of qualified equipment used directly and exclusively in a manufacturing operation
- Credit can be applied against compensating tax, gross receipts tax or withholding tax due
  - Gross receipts tax in Albuquerque is 7.875%
  - Compensating tax is 5.125% and applies to purchases made out of state
- Credit is limited to 85% of the sum of the taxpayer's gross receipts tax, compensating tax, and withholding tax due for the reporting period
- Any remaining credit may be claimed in subsequent operating periods

Beginning July 1, 2021, the Investment Tax Credit has been expanded to equal the Compensating Tax and/or Gross Receipts Tax rate. However, if the equipment was purchased through an Industrial Revenue Bond, the credit will be capped at 5.125%.

# MANUFACTURING INVESTMENT TAX CREDIT EXAMPLE

## Must meet criteria for new jobs added:

- Company must employ one new full-time employee for each \$750,000 in qualified equipment up to \$30,000,000
- Company must employ one new full-time employee for each \$1,000,000 in qualified equipment over \$30,000,000

**Note:** The number of new jobs created determines the investment amount that is eligible for the tax credit

Manufacturing Investment Tax Credit			
Value of Equipment	Tax Credit	# Jobs Required	Total Exemption
\$15,000,000	5.125%	20	<b>\$768,750</b>



# **ADDITIONAL INCENTIVES & BENEFITS TO CONSIDER**

# SINGLE SALES FACTOR

## Optional Single Sales Factor Apportionment for Manufacturers

Businesses engaged in manufacturing may elect a single sales factor option for calculating their corporate income tax. This election must be made in writing and must remain in effect for at least three consecutive taxable years containing thirty-six calendar months.

**Manufacturing is defined as:**

**Combining or processing components or materials to increase their value for sale in the ordinary course of business. Does not include:**

1. Construction
2. Farming
3. Power generation; except for electricity generated at a facility that does not require a certificate of convenience and necessity and location approved by the PRC
4. Processing of natural resources

# GROSS RECEIPTS TAX DEDUCTION FOR MANUFACTURING CONSUMABLES

A manufacturer may deduct 100% of the gross receipts tax paid on consumables used in the manufacturing process. For purposes of this deduction, “consumable” means tangible personal property that is incorporated into, destroyed, depleted, or transformed in the process of manufacturing a product and includes electricity, fuels, water, supplies, chemicals, gases, repair parts, spares and other tangibles used to manufacture a product, but does not include tools or equipment used to create a product. The deduction excludes the generation of power, processing of natural resources, or preparation of meals for immediate consumption.

# TECHNOLOGY JOBS AND RESEARCH AND DEVELOPMENT TAX CREDIT

- Provides a credit equal to 5% in urban areas (10% in rural areas) of qualified research expenditures related to:
  - Land and rent paid or incurred to operate or maintain a facility
  - Buildings & equipment
  - Costs associated with payroll, technical books, test materials, and manuals
  - Computer software and upgrades
  - Consultants performing work in NM
- An additional 5% (10% in rural areas) may be applied against corporate income tax or personal income tax if base payroll expenses increased by at least \$75,000 per \$1,000,000 of expenditures claimed
- Credit may be taken against compensating tax, gross receipts tax (*excluding the local options portion of the gross receipts tax*) or state withholding tax
- Credit may be carried forward for up to 3 years

# TECHNOLOGY JOBS AND RESEARCH AND DEVELOPMENT TAX CREDIT

## Qualified Research

Qualified research is that which is undertaken for the purpose of discovering information that is:

- Technological in nature; and
- Intended to be useful in the development of a new or improved business component; and
- Related to a new or improved function, performance, reliability, or quality, but not related to style, taste or cosmetic or seasonal design factors

## Credit Not Available for:

- Investment in real property owned by the city or the county in conjunction with an IRB
- Investments in personal property that have been given a credit under the Investment Tax Credit
- National Laboratories
- Property owned by a taxpayer or an affiliate prior to July 3, 2000
- Contract Research and Development

# TECHNOLOGY JOBS TAX CREDIT EXAMPLE

- Assumes company expects allocable expenditures on qualified research to exceed \$1,000,000 annually including R&D payroll, computer software & upgrades, technical books & manuals, test materials, and consultants performing work in New Mexico
- Company also expects an annual increase in base payroll of \$75,000 per year per \$1,000,000 of qualified expenses

Year	Qualified Expenses	Basic Credit 5%	Additional Credit 5%	Total Credit Per Year
1	\$1,000,000	\$50,000	\$50,000	\$100,000
2	\$1,300,000	\$65,000	\$65,000	\$130,000
3	\$1,500,000	\$75,000	\$75,000	\$150,000
4	\$2,000,000	\$100,000	\$100,000	\$200,000
5	\$2,500,000	\$125,000	\$125,000	\$250,000
<b>Total Estimate Value</b>				<b>\$830,000</b>

# NEW MEXICO CORPORATE INCOME TAX REDUCTION

New Mexico enacts a corporate income tax (CIT) on the net income of every domestic and foreign corporation doing business in and out of the state. The CIT is calculated as a percentage of the corporation's property, payroll, and sales. A corporation may select one of three methods for reporting their state CIT: separate corporate entity, a combination of domestic unitary corporations or a federal consolidated group.

The State approved a five-year phased reduction of the top corporate tax rate of 7.6%, starting in taxable year 2014. For taxable years beginning on or after January 1, 2018, the top rate will be 5.9%.

# OTHER BENEFITS TO CONSIDER

- **Out-of-State Tuition Waiver**  
UNM and Central NM Community College will make in-state resident tuition rates available to relocating employees and their families who qualify for admission.
- **Lottery Funded Scholarship**  
All resident NM high school seniors with at least a 2.5 GPA are eligible for a NM Lottery funded scholarship, which pays a set amount per semester.
- **No inventory tax**
- **Access to local and state government officials**





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