AREA
Albuquerque Regional Economic Alliance

NEW MEXICO BUSINESS INCENTIVES OVERVIEW

Presented by Albuquerque Regional Economic Alliance (AREA)

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Albuquerque Regional Economic Alliance
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INDUSTRIAL REVENUE BOND (IRB)

Significant real and personal property tax abatement and compensating tax and gross receipts tax exemptions can occur through the use of an 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 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 remaining property tax abatements can be passed on to the new owner or flow through a lease in the event of a sale or lease to a new user under certain qualifying conditions. The local 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.

Amount of property tax abatement and term of bond is determined by each community:

- Albuquerque: up to 20 years; up to 95 percent abatement
- Belen: up to 20 years; up to 70 percent abatement
- Los Lunas: up to 30 years; up to 67 percent abatement
- Rio Rancho: up to 30 years; up to 61 percent abatement

EXAMPLE: *Assumes a company invests $25,000,000 in Albuquerque: $10,000,000 in land and building, and $15,000,000 in furniture, fixtures and equipment ($10,000,000 purchased out-of-state, and $5,000,000 purchased in-state):*

Real & Personal Property	Value	Assessed Value	Mill Levy Rate	Community Abatement %	Estimated PILOT* Due	Estimated Tax Abatement
Land and Building (Year 1)	$10,000,000	$3,333,333	0.046826	95%	$7,804	$148,268
Estimated PILOT due over 20 Years					**$156,071**	
Estimated Tax Savings over 20 Years						**$2,965,350**
Equipment (Year 1)	$15,000,000	$5,000,000	0.046826	95%	$11,995	$227,896
Estimated PILOT due over 7 Years					**$24,745**	
Estimated Tax Savings over 7 Years						**$794,862**
Total Estimated Value						**$3,760,212**

*Property tax is assessed at 1/3 of the property value and then multiplied by the mill levy rate. Mill levy rate will be based on the actual location of facility. Updated mill levy rates are published each fall. Actual percentage abatements and IRB terms may be less. *PILOT: Payment In Lieu Of Taxes*

COMPENSATING AND GROSS RECEIPTS TAX EXEMPTION

FF&E	Value	Tax Rate	Estimated Tax Exemption
Equipment: Purchased Out-of-State	$10,000,000	Compensating Tax Rate: 5%	$500,000
Equipment: Purchased In-State	$5,000,000	Gross Receipts Tax Rate: 7.625%	$381,250

Out-of-state purchases are subject to a compensating tax rate of 5 percent effective July 1, 2022. In-state purchases are subject to the gross receipts tax rate of the local jurisdiction in which the facility resides.

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 training may be provided by post-secondary educational institutions, company trainers, or outside trainers.

The State may reimburse:

- Up to 50 percent of trainees' wages up to 1,040 hours for companies located in urban areas and up to 65 percent of trainees' wages for up to 1,040 hours for companies located in rural areas.
- Companies may receive an additional wage reimbursement of 5 percent for an eligible high-wage job.
- Companies may receive an additional 5 percent wage reimbursement for one of the three following conditions:
  - Trainee is a U.S. veteran
  - 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 has graduated out of the New Mexico Foster Care System
- Classroom training costs provided by New Mexico post-secondary educational institutions, $35/hr for instructors' time capped at $1,000 per employee.

JOB TRAINING INCENTIVE PROGRAM (JTIP) *continued*

CONDITIONS:

Must be a new or expanding company in New Mexico that:

- Manufactures a product
- Or provide services that are non-retail in nature and generate more than 50 percent of its revenue from outside the state.
  - Corporate, international, national, regional and divisional headquarters located in New Mexico may qualify provided at least 50 percent of revenues are derived from operations outside New Mexico.
  - Manufacturers that perform R&D and engineering functions for their own products in New Mexico, 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 and criteria as set forth by and at the discretion of the JTIP Board.
  - **Contract customer service centers** must provide evidence of a minimum five-year lease or purchase of a facility in New Mexico, and offer employees and their dependants health insurance coverage and pay at least 50 percent of the employee's premium.
- Maximum wage reimbursement is tied to hours required to learn the job and the hourly wage.
- "Hands-on" or production jobs qualify; technical jobs such as first-line supervisors and engineering generally qualify; support, administrative and sales positions are limited to 20 percent of total number of positions that qualify for funding; e-training does not qualify for assistance.
- Companies can apply for subsequent assistance if they have maintained hiring levels that exceed the peak employment as based on the employment average from two previous years or the present employment level, whichever is higher.
  - For **contract customer service centers** that peak employment eligibility is based on the employment average over the past four years or the present employment level, whichever is higher.
- In urban areas, companies hiring more than 20 people must offer health insurance and subsidize at least 50 percent of the premium for employees who elect coverage.
- Temporary to permanent positions qualify, provided trainees become full-time employees of the company prior to the end of the JTIP contract period; and trainees working through temp agency receive comparable medical, dental and vision benefits as full-time employees of the company.
- Positions must be filled within 6 months of JTIP application approval.
- Eligible employees (new hires) must be New Mexico residents for at least one year during their lifetimes.
  - For eligible high-wage jobs filled by employees who do not meet the residency requirement, the position may be eligible for a reduced flat rate reimbursement of 30 percent in urban areas and 45 percent in rural areas.
- *Reimbursement is subject to availability of funds and approval by the JTIP Board.*

EXAMPLE:

Assumes a company is hiring 150 employees for a new manufacturing operation in Albuquerque.

Job Title	Eligible Employees	Hourly Wage	Est. Allowable Training Hours*	Reimbursement Rate**	Value Per Employee
Assemblers	70	$14.06	320	50%	$2,249
Technicians	50	$15.31	320	50%	$2,450
First-Line Supervisors	9	$26.93	960	50%	$12,926
Engineers	7	$57.31	1,040	55%	$32,781
Plant Manager	1	$62.19	1,040	55%	$35,573
Administrative Assistants	5	$16.98	480	50%	$4,075
Human Resources Specialists	3	$29.54	1,040	55%	$16,897
Acccountants	3	$29.80	1,040	55%	$17,046
Operations Supervisors	2	$45.70	1,040	55%	$26,140
Total Eligible Employees	150				
Estimated Job Training Value	$835,788				

Example assumes all new hires meet NM residency requirements. Please see the following table for wage and hour eligibility. Positions shaded in orange qualify for JTIP through the "20-percent rule," which allows up to 20 percent of the total number of jobs funded for training reimbursement to be non-executive, professional support positions.

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

**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.*

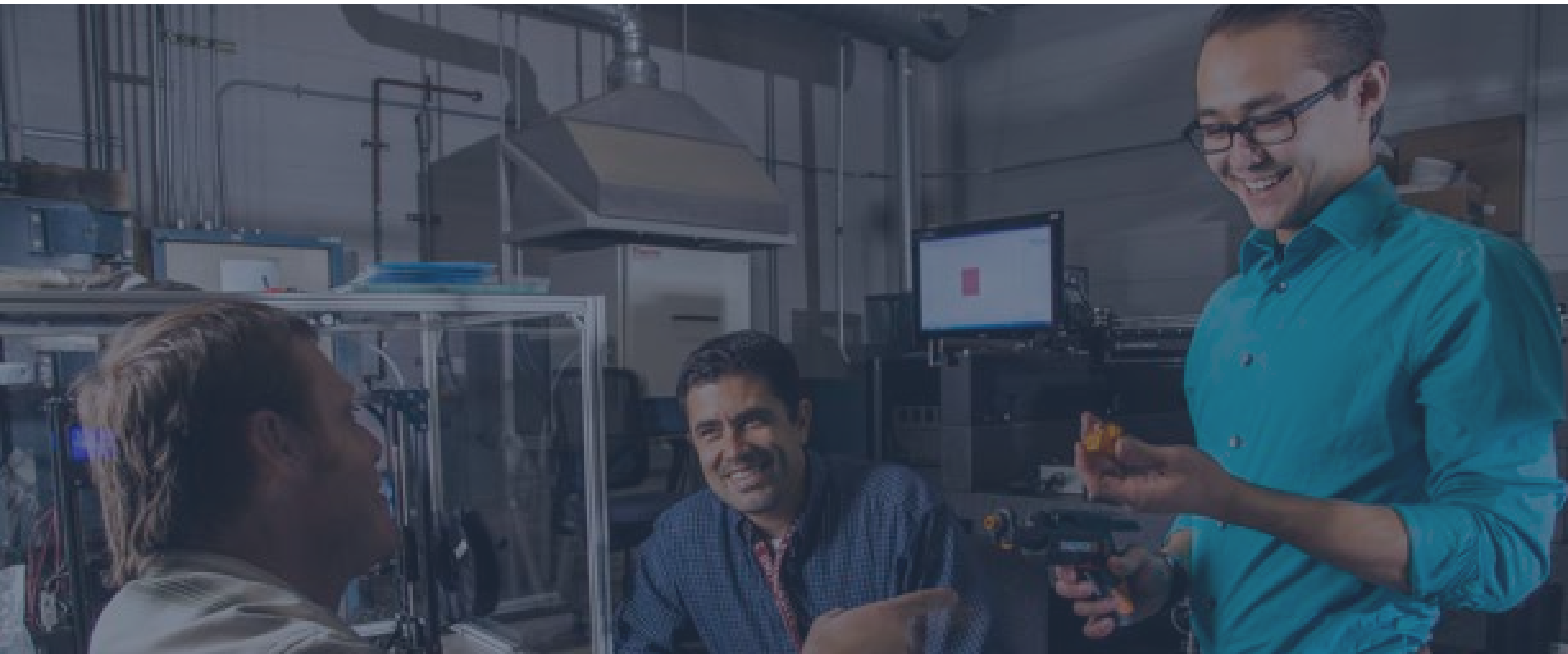
***Reimbursement may be up to 55 percent for jobs that meet the high wage requirement. An additional 5 percent is available when companies meet certain qualifying conditions.*

CLAWBACK PROVISION

Should the facility that received JTIP funds close or layoff JTIP trainees within one year (two years for customer support centers) of the completion of training or have received funds in excess of $100,000, then the facility may be required to repay JTIP funds.

JTIP PROGRAM MINIMUM WAGE THRESHOLD ADJUSTMENTS

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



WORKFORCE INNOVATION & OPPORTUNITY ACT (WIOA)

The Workforce Innovation & Opportunity Act (WIOA) is a federal program that provides a financial incentive to employers for hiring individuals and training existing employees. The WIOA program is administered through New Mexico Workforce Connection.

ON-THE-JOB TRAINING (OJT) PROGRAM FOR NEW HIRES

The federal government provides the employer a 50 percent salary reimbursement for up to 1,040 training hours based on identified skill gaps and required training for full time positions. OJT contracts can be written and executed in as few as five business days. WIOA reimbursement checks are issued on a monthly basis. A company can qualify for up to 10 positions within any one fiscal year (July through June).

Requirements for On-the-Job Training (OJT) Contract:

- Employer agrees to create a training plan
- Employer agrees to train the new employee to fill his/her skill gaps for the position
- Employer agrees to provide a WIOA monthly timesheet/evaluation and a WIOA invoice
- Participants must be assessed using "WorkKeys" as an enrollment requirement. Two assessments must be completed (Applied Mathematics and Reading for Information) at an authorized testing facility

Conditions for Funding:

- Current availability of funds
- Employer operates within industries that are stable or have growth potential with focus on:
  - Healthcare
  - Commercial Construction
  - Professional, Scientific and Technical Services
  - Green energy
  - Manufacturing
- Employer is current on all tax obligations
- Employer meets a 1:1 training ratio
- Employer has a workers' compensation policy currently in force

ON-THE-JOB TRAINING (OJT) SKILLS UPGRADE PROGRAM

The OJT Skills Upgrade Program provides a financial incentive to employers for promoting individuals into positions that require new skills. A 50 percent reimbursement on the new position salary is provided for up to 1,000 hours. OJT Skills Upgrade Program checks are issued on a monthly basis.

Requirements for OJT Skills Upgrade Contract:

- Employee must have been employed with the company for at least six months
- Employee must receive a new job title with new skill requirements
- Employee must receive a wage increase not to exceed $33.26 per hour
- Employee must be employed full-time in the new position
- Employer will work with a WIOA representative to create a training schedule for addressing the new skills that must be acquired and assign training hours for those skills
- Employer will provide a monthly timesheet/evaluation and invoice
- Employees must be assessed using Workkeys as an enrollment requirement

CONDITIONS:

Current availability of funds

- Employees will be limited to two OJT's with the same employer unless employer petitions for a specific exception
- Employer operates within industries that are stable or have growth potential with focus on:
  - Healthcare
  - Commercial Construction
  - Professional, Scientific and Technical Services
  - Green Energy
  - Manufacturing
- Employer is current on all tax obligations
- Employer meets a 1:1 training ratio
- Employer has a workers' compensation policy currently in force

EMPLOYED WORKER TRAINING PROGRAM (CUSTOMIZED TRAINING REIMBURSEMENT)

The Customized Training Program reimburses employers for training costs. Upon receipt of invoice after the successful conclusion of the training, reimbursement will be provided approximately 10-15 business days later.

Requirements:

- Verification of male employees born after Jan. 1, 1960, of registration with Selective Service
- Commitment from the employer that the intent is there to retain the employee(s) for at least the next 12 months
- Individual Employment Plan (IEP) be completed for each employee

Reimbursable costs include (but not necessarily limited to):

- Tuitions, fees, registration, instructor wages and/or exam fees
- Wages of the employee during the time that they are in training
- Cost of the training-specific portion of software that would be required to implement the training
- Materials such as books, pamphlets, binder, ink, toner, etc. that are required for the training

WIOA representative will create a budget with a cost allocated to the employer based on employer size:

- At Least 10 percent of the cost for employers with 50 or fewer employees
- At Least 23 percent of the cost for employers with 51 to 100 employees
- At Least 50 percent of the cost for employers with more than 100 employees

HIGH WAGE JOBS TAX CREDIT (HWJTC)

The High Wage Jobs Tax Credit provides businesses with a tax credit equal to 8.5 percent of the value of salaries for each net new job 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 of at least $40,000. The credit is capped at $12,750 per job per year. The credit is set to sunset on June 30, 2026.

Qualified employers can take the credit for 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 portion of the gross receipts tax.

CONDITIONS:

- 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 percent of the company.
- Jobs must be occupied by an eligible employee for 44 weeks of a qualifying period.
- Any taxpayer that ceases operations in New Mexico must wait at least 2 calendar years before submitting a new application for the credit.

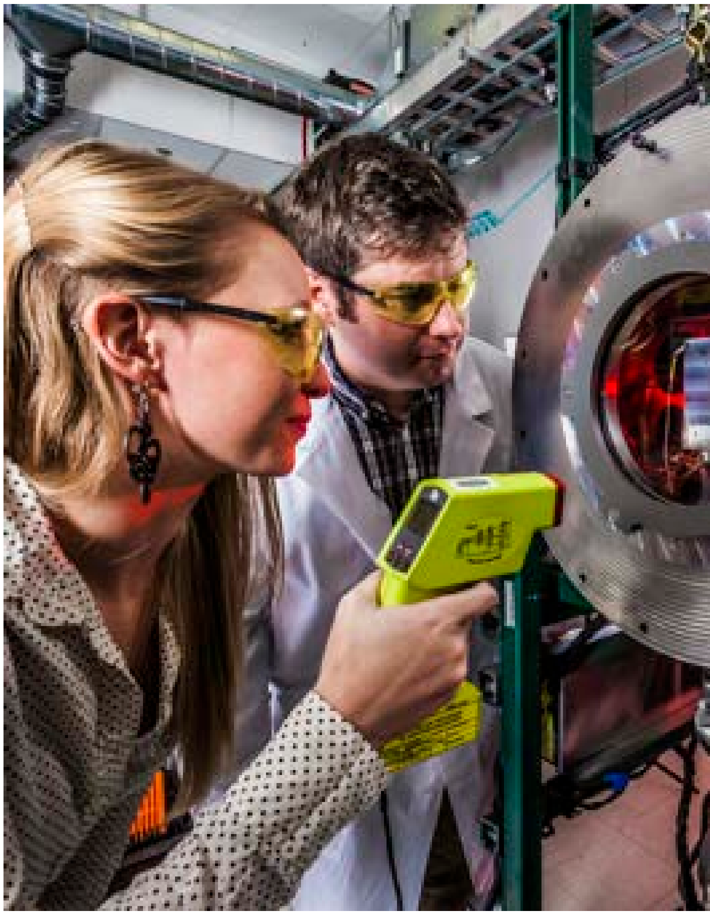
EXAMPLE:

No. of Employees	Hourly Wage	Annual Value of Salary Per Employee	Annual Tax Credit = 8.5% of Wages	Value of Credit Over 4 Years
25	$28.85	$60,008	$5,100	$510,068
20	$30.00	$62,400	$5,304	$424,320
10	$35.00	$72,800	$6,188	$247,520
Estimated High Wage Jobs Tax Credit Value				**$1,181,908**

MANUFACTURING INVESTMENT TAX CREDIT

New Mexico tax law provides for a credit equal to 5 percent of the value of qualified equipment and other property used directly and exclusively in a manufacturing operation. The credit can be applied against compensating tax, gross receipts tax and withholding tax. Varying by local jurisdiction, the gross receipts tax acts very much like a sales tax. Compensating (or use) tax applies to purchases made out of state and is 5 percent.

The credit is limited to 85 percent of the sum of the taxpayer's compensating tax, gross receipts tax and withholding tax due for the reporting period. Any remaining available credit may be claimed in subsequent operating periods. The credit may be claimed for equipment acquired under an IRB. This is a double benefit since no gross receipts or compensating tax was paid on the purchase or importation of the equipment. The credit is limited to 5 percent when applied to equipment acquired under an IRB.



CRITERIA:

For Claims	1 New Worker Employed for Each
$0 - $30,000,000	$750,000 in qualified equipment
Over $30,000,000	$1 million in qualified equipment

EXAMPLE:

Value of qualified equipment is $15,000,000

$15,000,000 / $750,000 = **20 jobs required**

$15,000,000 x 5% = **$750,000 in savings**

TECHNOLOGY JOBS AND R&D TAX CREDIT

BASIC CREDIT

Qualified New Mexico facilities may take a credit equal to 5 percent (10 percent in rural areas) of qualified research expenditures related to payroll, land, buildings, equipment, computer software and upgrades, consultants and contractors performing work in New Mexico, technical books, manuals and test materials. The credit may be taken against compensating tax, gross receipts tax (excluding the local options portion of the gross receipts tax), and withholding tax. The credit may be carried forward for up to three years.

ADDITIONAL CREDIT

An additional 5 percent (10 percent 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. The credit may be carried forward for up to three years.

DEFINITIONS

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.

Rural Area - A qualified rural area is any area in the state other than the state fairgrounds, an incorporated municipality with a population of 30,000 or more, or an area within three miles of the external boundaries of an incorporated municipality of a population of 30,000 or more.

Small Business - A research and development small business is defined as:

1. Employs no more than 50 employees;
2. Has total qualified expenditures of no more than $5 million dollars in the taxable year that the credit is claimed;
3. Does not have more than 50 percent of its voting securities or other equity interest owned directly or indirectly by another business.

If a research & development small business is approved for an amount that exceeds the taxpayer's income tax liability or corporate tax liability, then excess credit shall be refunded to the tax payer in the following manner:

- If the taxpayer's total qualified expenditures is less than $3 million, then 100 percent of the excess additional credit shall be refunded.
- If the taxpayer's total qualified expenditures is greater than or equal to $3 million dollars and less than $4 million dollars, then two-thirds of the excess additional credit shall be refunded.
- If the taxpayer's total qualified expenditures is greater than or equal to $4 million dollars and less than $5 million dollars, then one-third of the excess additional credit shall be refunded.

Credits are not available for:

- Investments in real property owned by the city or the county in conjunction with an Industrial Revenue Bond.
- Investments in personal property that have been given a credit under the Investment Credit Act.
- National Laboratories.
- Property owned by the tax payer or an affiliate prior to July 3, 2000.
- Contract Research & Development.

GROSS RECEIPTS TAX DEDUCTION FOR MANUFACTURING EQUIPMENT AND CONSUMABLES

A qualified manufacturing operation may deduct 100 percent of the gross receipts tax or compensating tax paid on manufacturing consumables used in the manufacturing process provided the buyer delivers a NTTC to the seller.

For purposes of this deduction, “manufacturing consumable” means tangible personal property, other than qualified equipment or an ingredient or component part of a manufactured product, that is incorporated into, destroyed, depleted or transformed in the process of manufacturing a product, including electricity, fuels, water, manufacturing aids and supplies, chemicals, gases and other tangibles used to manufacture a product.

A “manufacturing operation” means a plant operated by a manufacturer or manufacturing service provider that employs personnel to perform production tasks to produce goods, in conjunction with machinery and equipment; but does not include construction services; farming; electric power generation; processing of natural resources, including hydrocarbons; or the processing or preparation of meals for immediate consumption.

Receipts from selling or leasing qualified equipment may be deducted from gross receipts if the sale is made to, or the lease is entered into with, a qualifying manufacturing operation that delivers a nontaxable transaction certificate to the seller, provided that the qualifying manufacturing operation shall not claim an investment credit for that same equipment.

SINGLE SALES FACTOR APPORTIONMENT

Businesses engaged in manufacturing and eligible headquarters operations 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 means 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 New Mexico Public Regulation Commission
4. Processing of natural resources

Headquarters operation is defined as a center of operations of a business:

1. Where corporate staff employees are physically employed;
2. Where centralized functions are performed, including administrative, planning, managerial, human resources, purchasing, information technology and accounting, but not including operating a call center;
3. The function and purpose of which is to manage and direct most aspects and functions of the business operations within a subdivided area of the United States;
4. From which final authority over regional or subregional offices, operating facilities and any other offices of the business are issued;
5. Including national and regional headquarters if the national headquarters is subordinate only to the ownership of the business or its representatives and the regional headquarters is subordinate to the national headquarters.

An additional definition is the center of operations of a business:

1. The function and purpose of which is to manage and direct most aspects of one or more centralized functions; and
2. From which final authority over one or more centralized functions is issued.

RURAL JOBS TAX CREDIT

Allows for a 6.25 percent credit on the first $16,000 of wages paid for a qualifying job in a rural area.

Criteria
Credit can be taken for:

- 4 years in a Tier 1 community (population 15,000 or less)
- 2 years in a Tier 2 community (population 15,000 – 30,000)

Jobs must be occupied by an eligible employee for forty-eight (48) weeks of a qualifying period:

- Credit can be taken against the state portion of the compensating tax, gross receipts tax, withholding tax or corporate income tax.
- The credit can be carried forward for 3 years or sold.
- Qualifying employers are those who are eligible for the Job Training Incentive Program.

Example
Tier 2 Community: credit available for 2 years
Credit equal to 6.25 percent of first $16,000 of salary/employee

Number of employees earning at least $16,000/year in year one = 139; in year two = 111
Year one: 6.25% of $16,000 = $1,000/employee x 139 = $139,000
Year two: 6.25% of $16,000 = $1,000/employee x 111 = $111,000

Total Credit = $250,000 x 2 years = **$500,000**

LOCAL ECONOMIC DEVELOPMENT ACT (LEDA)

The New Mexico Local Economic Development Act (LEDA) established a process for local governments to provide financial resources, or a "deal-closing fund," for the attraction and support of new or growing eligible private-sector, economic-base business "projects" that can demonstrate additional funding is needed to close a competitive cost gap or make the project financially viable. LEDA discretionary funds can only be used for reimbursement of eligible expenditures tied to "land, building and infrastructure." LEDA funds cannot be used for equipment or working capital. In more recent years, the State of New Mexico has become a very important funding partner with local governments through the state Economic Development Department.

The local jurisdiction serves as the fiscal agent for any state funds that are approved for the private project, in addition to any appropriate resources the local government(s) may provide. The company and the local jurisdiction enter into a project participation agreement (PPA) that stipulates mutually agreed-upon commitments, such as the company's capital investment, job creation, wages and benefits and length of operations. The company must provide a security instrument (e.g., surety bond, letter of credit, mortgage or other mutually agreed-upon security) to cover any penalty payments that may be due for partial performance or non-performance by the company or early closure of operations under the terms of the PPA for the entire term of the PPA.

The LEDA project is required to go through a public approval process, which typically takes between 45 and 90 days. In addition to the LEDA ordinance, review and approval of the PPA are required. This is the main contractual agreement between the company and the local government. A staff analysis and positive fiscal impact analysis are required. An intergovernmental agreement is prepared if there are to be state funds transferred to the local government on behalf of the project. Following approval of the LEDA project, the local government invoices the state for any funds, and the company may begin submitting invoices to the local government for reimbursement of eligible expenses incurred after the adoption of the LEDA ordinance and achievement of project milestones agreed upon within the PPA. Each local government may or may not elect to charge an application fee. The company will be required to cover any legal fees incurred by the local government as part of the application and approval process.

LOCAL ECONOMIC DEVELOPMENT ACT *continued*

PROGRAM CLAWBACKS:

The local government will have requirements for penalty payments if the company does not live up to its commitments under the PPA or closes the facility prematurely after having been granted the LEDA assistance. The amount of this facility closure payment is negotiated under the terms of the PPA. If the company does not meet the job-creation commitments, then a penalty will ensue, as well.

PROGRAM ELIGIBILITY:

Must be a qualifying economic-base enterprise that has more than 50 percent of the revenues of their New Mexico operation generated outside of the state. Company must pay at least 50 percent or more of the employee's (not their dependents) health-insurance premium. Jobs created by the project must meet or exceed the medium wage for similar jobs in the community, demonstrate financial feasibility and have a positive fiscal impact.

Additional public support for qualifying project with $350 million of construction spend

A qualifying economic development project that commits to incur at least $350 million in construction and infrastructure expenses over a 10-year period may be eligible for public support and receive a transfer payment of 50 percent of state and local gross receipts taxes and compensating taxes paid on those eligible expenditures. The company must enter into a PPA with the state and each local government entity that has jurisdiction over the project's physical location. All expenditures must occur following final public approval of the PPA by the local government(s). If, at the end of the 10-year period, the qualifying project fails to meet the $350 million requirement, then the state and local government(s) will seek to recover some or all of the public support provided. The company and the economic development project must meet all other requirements to receive this public support, pursuant to the state's decades-old and highly successful Local Economic Development Act.

SECTION B: INDUSTRY FOCUSED INCENTIVES

ALTERNATIVE ENERGY PRODUCT MANUFACTURER'S TAX CREDIT

The Alternative Energy Product Manufacturer's Tax Credit provides a credit equal to 5 percent of the value of qualified equipment and other property used directly and exclusively in a manufacturing operation that makes components or systems for alternative energy products.

The credit can be applied against compensating tax, gross receipts tax (excluding the local options portion of the gross receipts tax), or withholding tax. Any remaining credit can be carried forward for up to five years.

CRITERIA:

Employer must meet criteria for new jobs added:

- Company must employ one new full-time employee for each $500,000 in qualified equipment up to $30,000,000 to receive the credit.
- Company must employ one new full-time employee for each $1,000,000 in qualified equipment over $30,000,000 to receive the credit.

DEFINITION

Alternative Energy Product - An alternative energy vehicle, fuel cell system, renewable energy system or any component of an alternative energy vehicle, fuel cell system or renewable energy system or components for integrated gasification combined cycle coal facilities and equipment related to the sequestration of carbon from integrated gasification combined cycle plants.

EXAMPLE

Value of qualified equipment is $15,000,000

$15,000,000 / $500,000 = **30 jobs required**

$15,000,000 x 5.0% = **$750,000 Savings**

INDUSTRY-FOCUSED INCENTIVES *continued*

AIRCRAFT MANUFACTURING AND MAINTENANCE SERVICES TAX DEDUCTION

Receipts of an aircraft manufacturer or affiliate from selling aircraft or aircraft parts; services performed on aircraft or aircraft components; and aircraft flight support, pilot training or maintenance training services, may be deducted from gross receipts. Receipts from selling aircraft parts or maintenance services for aircraft or aircraft parts, may be deducted from gross receipts.

DIRECTED ENERGY SYSTEMS GROSS RECEIPTS TAX DEDUCTION

Contractors, other than a national laboratory, that provide qualified research and development services for directed energy and satellite-related inputs to the United States department of defense, may deduct their receipts derived from such inputs and services. This deduction only applies to contracts with the department of defense entered into on or after January 1, 2016. This credit sunsets January 1, 2031.

SPACE GROSS RECEIPTS TAX DEDUCTION

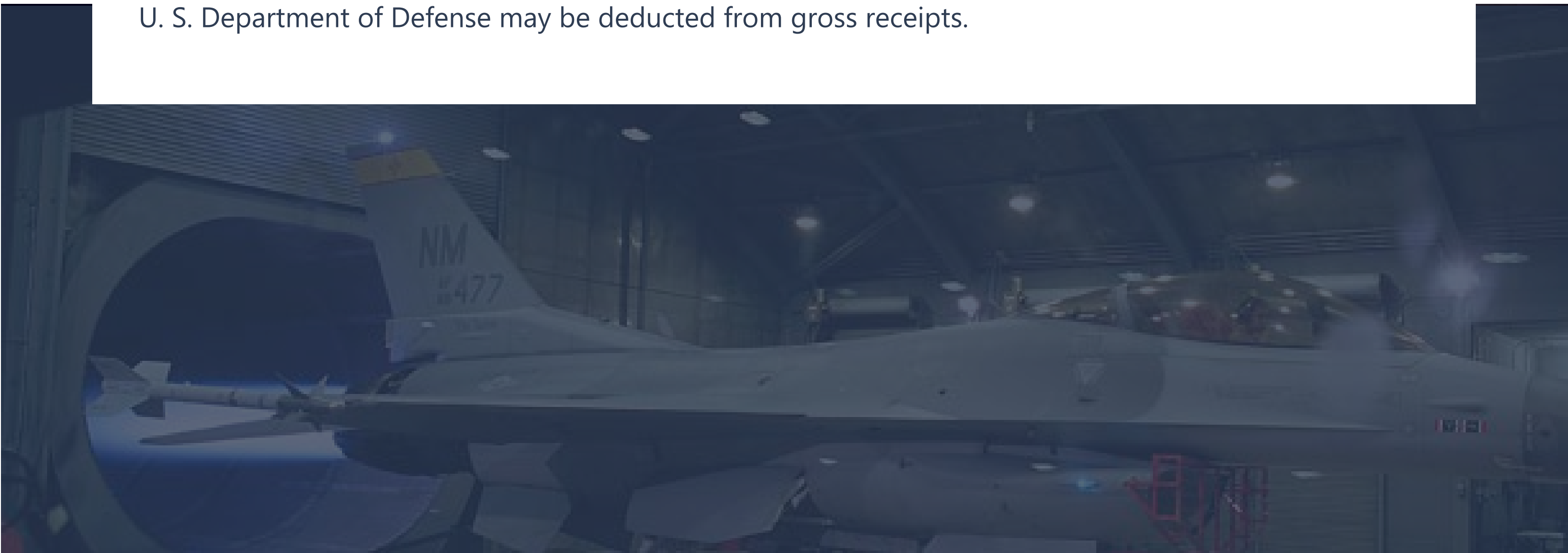
In New Mexico, businesses may deduct receipts from launching, operating, and recovering space vehicles or payloads; preparing a payload; and operating a spaceport. Additionally, receipts from the provision of research, development, testing and evaluation services for the U.S. Air Force operationally responsive space program may be deducted from gross receipts.

COMMERCIAL OR MILITARY AIRCRAFT TAX DEDUCTION

Receipts from the sale of or the maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier over 10,000 lbs gross landing weight may be deducted from gross receipts.

MILITARY ACQUISITION PROGRAM TAX DEDUCTION

Receipts from transformational acquisition programs performing research and development, testing, and evaluation at New Mexico major range and test facility bases pursuant to contracts entered into with the U. S. Department of Defense may be deducted from gross receipts.



BIOMASS-RELATED EQUIPMENT AND MATERIALS DEDUCTION

The value of equipment such as boiler, turbine-generator, storage facility, feedstock processor, interconnection transformer or biomass material used for bio-power, bio-fuels, or bio-based products may be deducted in computing the compensating tax due.

BIODIESEL FACILITY TAX CREDIT

An operator of a refinery in New Mexico, any person who blends special fuel in New Mexico, or the owner of special fuel stored at a pipeline terminal in New Mexico, who installs biodiesel blending equipment for the purpose of establishing or expanding in a facility to produce blended biodiesel fuel is eligible to claim a credit against gross receipts tax or compensating tax. A certificate of eligibility may be obtained from the Energy, Minerals, and Natural Resources Department to apply for this credit. The credit is equal to 30 percent of the purchase cost of the equipment, plus 30 percent of the cost of installing that equipment. The credit cannot exceed $50,000 with respect to equipment installed at any one facility. The credit may be applied against the taxpayer’s gross receipts tax or compensating tax liability. The credit may be carried forward for four years from the date of the certificate of eligibility.

PROPERTY TAX EXEMPTION FOR SOLAR SYSTEMS

Roof-top scale solar energy system installations are exempt from property tax assessments at the time the system is installed. The solar system improvements would not be assessed property taxes until the property is sold.

NEW SOLAR MARKET DEVELOPMENT TAX CREDIT

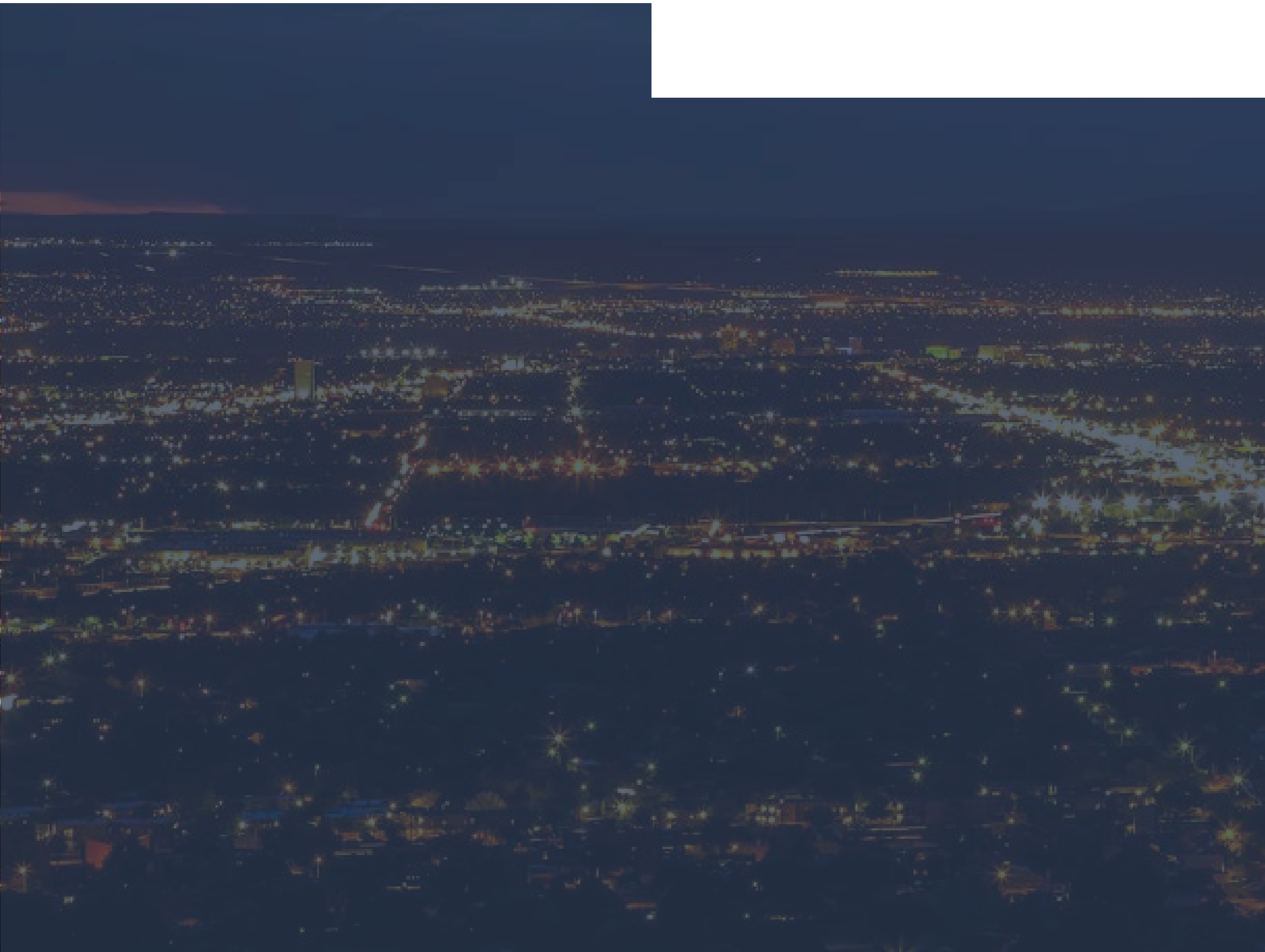
The New Solar Market Development Tax Credit is available for New Mexico taxpayers who install solar energy systems on their residential, commercial, or agricultural properties that provide hot water, electricity, or space heat to the property on which it is installed. The tax credit is calculated as 10% of the system value up to $6,000 per taxpayer, per year. The tax credit can only be used to offset personal tax liabilities with the state.

SOLAR GROSS RECEIPTS TAX DEDUCTION

The Solar Gross Receipts Tax Deduction is available for vendors who sell or install solar energy systems that provide hot water, electricity, or space heat to the property on which it is installed may be deducted from gross receipts before the tax is calculated.

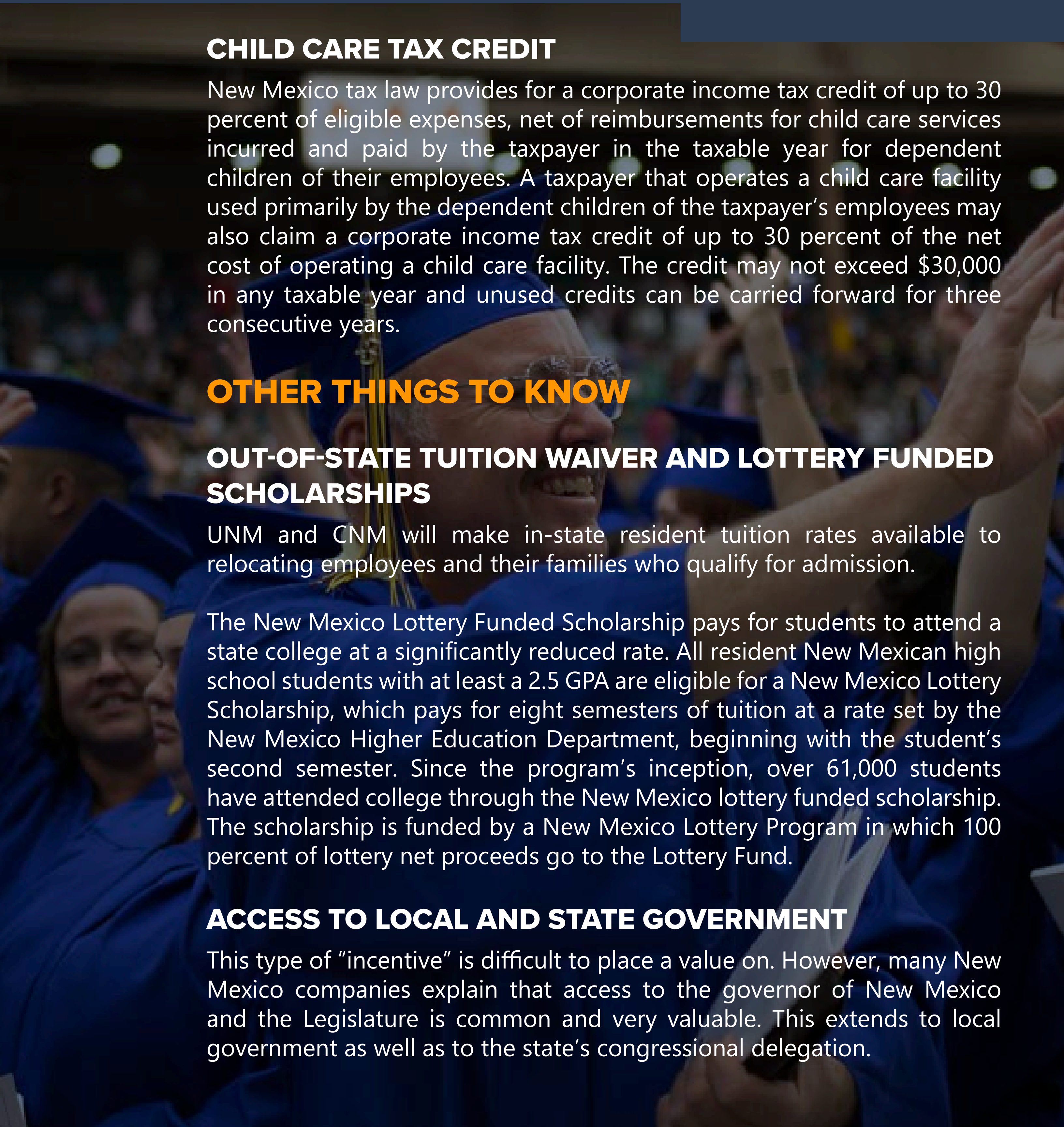
GROSS RECEIPTS TAX DEDUCTION FOR WIND AND SOLAR SYSTEMS

New Mexico provides a gross receipts tax deduction for eligible renewable (Solar Thermal Electric, Photovoltaic, and Wind) and other applicable technologies sold to federal, state, or local government entities.



SECTION C: PROGRAMS AND ASSETS

PROGRAMS AND ASSETS



CHILD CARE TAX CREDIT

New Mexico tax law provides for a corporate income tax credit of up to 30 percent of eligible expenses, net of reimbursements for child care services incurred and paid by the taxpayer in the taxable year for dependent children of their employees. A taxpayer that operates a child care facility used primarily by the dependent children of the taxpayer's employees may also claim a corporate income tax credit of up to 30 percent of the net cost of operating a child care facility. The credit may not exceed $30,000 in any taxable year and unused credits can be carried forward for three consecutive years.

OTHER THINGS TO KNOW

OUT-OF-STATE TUITION WAIVER AND LOTTERY FUNDED SCHOLARSHIPS

UNM and CNM will make in-state resident tuition rates available to relocating employees and their families who qualify for admission.

The New Mexico Lottery Funded Scholarship pays for students to attend a state college at a significantly reduced rate. All resident New Mexican high school students with at least a 2.5 GPA are eligible for a New Mexico Lottery Scholarship, which pays for eight semesters of tuition at a rate set by the New Mexico Higher Education Department, beginning with the student's second semester. Since the program's inception, over 61,000 students have attended college through the New Mexico lottery funded scholarship. The scholarship is funded by a New Mexico Lottery Program in which 100 percent of lottery net proceeds go to the Lottery Fund.

ACCESS TO LOCAL AND STATE GOVERNMENT

This type of "incentive" is difficult to place a value on. However, many New Mexico companies explain that access to the governor of New Mexico and the Legislature is common and very valuable. This extends to local government as well as to the state's congressional delegation.

ABOUT AREA

Albuquerque Regional Economic Alliance is a private, nonprofit, membership-based organization that is focused on the recruitment of new industry into the Albuquerque metropolitan area. AREA also assists with the retention and expansion of existing industry. AREA has served the Albuquerque area since 1960, recruiting more than 250 companies. AREA actively recruits those companies that will export goods or services from New Mexico, thereby bringing new investment dollars to the state. These economic base jobs contribute to the area's economic growth, development and diversification, thereby improving the standard of living and opportunities within the Albuquerque area.

AREA is eager to provide assistance specific to your company's location or expansion needs, in complete confidence. Our team of economic development professionals is organized to help you obtain the facts you need to thoroughly evaluate the Albuquerque metro area. We can save you countless hours of research and analysis by providing a full complement of services, all at no cost or obligation to you.

CONTACT US TODAY:

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