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New Mexico Incentive Toolbox

The Economic Development Department's Mission is to improve the lives of New Mexico families by increasing economic opportunities and providing a place for businesses to thrive.

Property Tax in New Mexico

Property tax in New Mexico is calculated on one-third of the property value multiplied by the mill rate assessed for the location of the property.

Furniture, fixtures and equipment (FF&E) are also taxed at one-third of the value at the same depreciation schedule as a company uses at the federal level.

A mill is equal to one dollar ($1) for every one-thousand dollars ($1,000) in value.

At the proposed site at Mesa Del Sol within Bernalillo County within the Albuquerque city limits the mill rate is 54.309.

Gross Receipts Tax in New Mexico

Gross receipts are the total amount of money or value of other consideration received from:

- Selling property in New Mexico;
- Leasing or licensing property employed in New Mexico;
- Granting a right to use a franchise employed in New Mexico;
- Performing services in New Mexico, and performing services outside of New Mexico, the product of which is initially used in New Mexico
- Selling research and development services performed outside New Mexico, the product of which is initially used in New Mexico.

Gross receipts are the total amount of money or other consideration received from the above activities. Although the Gross Receipts Tax is imposed on businesses, **it is common for a business to pass the Gross Receipts Tax on to the purchaser either by separately stating it on the invoice or by combining the tax with the selling price.**

Gross receipts tax vary by location of the sell the gross receipts tax rate at the proposes site is: 7.625 %

Manufacturers are exempt from gross receipts tax!

Single Sales Factor on CIT

Eliminating Corporate Income Tax liabilities on any out-of-state sales

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- Corporate income is taxed at the rate of 4.8% for the first $500,000, $24,000 + 5.9% of excess over $500,000.
- Manufacturers may choose to utilize SSF in determining Corporate Income Tax Liability.
- Due to New Mexico's low population most manufacturers enjoy significant savings by utilizing SSF allowing the CIT rate to be applied only to the portion of sales that occur in New Mexico
- Dependent on a manufacturer's products and sales, typical savings are in excess of 98.5% of Corporate Income Tax Liability
- Example:
  - $100,000 in net income;
  - Total sales in NM 1%;
  - Total tax liability would be $48.

Other Taxes of Note

- **No Inventory Tax in New Mexico**.

- As of July 1, 2021, manufacturers are exempt from Compensating Tax of out-of-state purchases:
  - Previously, only purchases of equipment held under an IRB were eligible;
  - This eliminates the "buyers'-tax" on all out-of-state purchases;
    - The Manufacturers Investment Tax Credit can not be applied unless an IRB is used.

- GRT Deduction on Consumables:
  - A seller may deduct receipts from sales of consumables used in manufacturing**, including electricity, natural gas, and water.**

- The Bernalillo, Sandoval, Valencia and Dona Ana Counties are an FTZ (Foreign Trade Zone) functioning under the business-friendly Alternative Site Framework:
  - No tariffs or duties on imports to US; no tariffs or duties on international exports.

JTIP Builds the Workforce

Direct cash reimbursement to the company at the conclusion of training

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Funds classroom and on-the-job training for newly-created jobs in expanding or relocating businesses for 360 to 1,040 hours of training.

JTIP reimburses 50 to 85% of employee wages during training.

Eligible Businesses:

- Companies that manufacture
- Non-retail service companies that export a substantial percentage of services (50% or more)
- Certain green industries

Eligible Jobs

- Full-time (minimum of 32 hours/week) & year-round
- Directly related to the creation of the product or service
- Guaranteed full-time employment for trainees
- Intern positions

High Wage Jobs Tax Credit

Direct savings against typical monthly expenses & refundable

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An eligible taxpayer may receive a credit for each new high-wage economic base job equal to 8.5% of the wages.

Qualified Jobs:

- Pay at least $40,000/year in a community with a population of less than 60,000
- Pay at least $60,000/year in a community with a population of 60,000 or more
- Occupied for at least 44 weeks by the employee

Qualified employers are eligible for JTIP

- Qualified employers can take the credit for 4 years and can be applied to the state portion of gross receipts, compensating, and withholding taxes.
- The credit is capped at $12,750 per year, per job.

Rural Jobs Tax Credit

Direct savings against typical monthly expenses creating jobs in rural communities

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Rural New Mexico is defined as any part of the state other than Los Alamos County, Albuquerque, Rio Rancho, Farmington, Las Cruces, Roswell, and Santa Fe, and a 10-mile zone around those municipalities.

The rural area is divided into two tiers:

- Tier 2 = Non-metro area municipalities that exceed 15,000 in population: Alamogordo, Carlsbad, Clovis, Gallup, Los Lunas, Sunland Park, and Hobbs
- Tier 1 = Everywhere else in a rural area

The maximum tax credit amount with respect to each qualifying job is equal to:

- Tier 1: $1,000 per year for four years
- Tier 2: $1,000 per year for two years

A qualifying job is a job filled by an eligible employee for 44 weeks in a 12-month qualifying period. The credit may be carried forward for up to three years.

Manufacturers Investment Tax Credit

Direct savings against typical monthly expenses, this tax credit can still be applied if tax was not originally paid

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Manufacturers may take a credit against gross receipts, compensating or withholding taxes equal to the percentage of tax of the value of qualified equipment when the following conditions are met:

- For every $750,000 of equipment, one employee must be added up to $30 million.
- For amounts exceeding $30 million, one employee must be added for each $1 million of equipment.
- The manufacturer reduces its tax payment to the state until the amount of the Investment Credit is exhausted. There are provisions for issuing a refund when the credit balance falls under $500,000.

R&D Tax Credit

Direct savings against typical monthly expenses, this tax credit may not be applied to IRB funded projects.

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R&D Tax Credit allows for 5% (10% in rural areas) of expenditures related to qualified research for 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 carried forward for up to three years.
- An additional 5% (10% in rural areas) may be applied against state income tax if base payroll expenses increase by at least $75,000 per $1,000,000 of expenditures claimed.
- $75,000 per $1,000,000 of expenditures claimed.

*Credits are not available for:

- Investments in personal property that have been given a credit under the Investment Credit Act
- National laboratories
- Property owned by the taxpayer or an affiliate before July 3, 2000
- Contract research & development

Local Economic Development Act

The fund provides cash reimbursement for costs associated with land building and infrastructure

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LEDA helps build the business infrastructure in support of a job-creating expansion.

- A direct cash reimbursement to off-set expenditures tied to land, building, and infrastructure.
- This is a discretionary tool administrated by the Executive Branch to facilitate both recruitment and job-creating expansion of existing companies.
- The level of capital investment and the quality and quantity of jobs to be created influence the amount of LEDA awarded.
- LEDA funds are typically disbursed during the earlier stages of project, on a reimbursement basis at key performance milestones, with the company providing collateral to refund the award in the event of performance shortfall.

LEDA Gross Receipts Tax Share

Cash returned for GRT paid during construction

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- Project in excess of $350 million in construction costs

  This is for construction only and does not include other capital investments, such as furniture, fixtures, equipment, land acquisition, etc.

- All taxing authorities must agree to the GRT share

  Based on project location, the affected city, county, and state must all agree to the GRT share.

- Only General Funds are impacted

  City or county GRT that is dedicated to a specific purpose or pledged for financing are not subject to the share agreement; only those funds that go to local general fund.

- GRT share is 50% of GRT collected

  Funds are collected by TRD and verified to be part of the project before they are distributed back to the LEDA Fund.

Industrial Revenue Bonds

IRB’s offer immediate savings on equipment purchases for the project and long-term savings on Real Estate and Personal Property ad valorem taxes.

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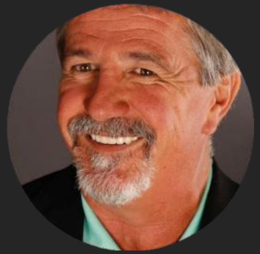
- IRBs are a tool to encourage business expansion and relocation, job growth, and capital investment providing for long-term Property Tax Abatement (OpEx) and Compensating Tax/GRT exemption on equipment purchased.
- Local governing body must vote to induce the IRB and the company must secure its own purchaser of the IRBs, or the company may purchase its own IRB.
- IRBs can be used for land, buildings, furniture, fixtures, and equipment. Equipment-only IRBs can be done. Working capital is not eligible.
- IRBs exempt the project from property taxes for up to 30 years (20 in Albuquerque).
- Many municipalities look to hold special districts harmless via PILOT (i.e. schools, hospitals).
- Typically associated with $30-$50k in fees.
- Rule of thumb for the IRB is investment should be north of $4+ million.
- No GRT exemption on construction. Cost segregation studies can add additional savings.



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Questions?