

# NEW MEXICO TAX INCENTIVES

**NM IDEA  
ANNUAL MEMBERSHIP MEETING  
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Always There™

## TAX INCENTIVE PROGRAMS

- **NEED TO FIT TO CLIENT AND PROJECT NEEDS OVER TIME**
  - Revenue
  - Expense
  - Tax liability
  - Up front cash or relief over time
  
- **BROAD vs. INDUSTRY SPECIFIC**
  
- **JOB CREATION**
  
- **EXPENDITURES**

## TAX INCENTIVE PROGRAMS

- **CREDITS**
  - Usually require tax liability
  - Some refundable or transferable
  
- **DEDUCTIONS**
  
- **GROSS RECEIPTS/COMPENSATING/WITHHOLDING**
  
- **PERSONAL & CORPORATE INCOME TAX**
  
- **INCREASING POLITICAL DISCUSSION ABOUT COST-BENEFIT FOR NEW MEXICO**
  - “Race to the bottom” competition amongst states

## INDUSTRIAL REVENUE BONDS

- **RESULT: PROJECT TAKES ON TAX ATTRIBUTES OF COUNTY OR MUNICIPALITY**
  - **No gross receipts or compensating tax on tangible personal property, *other than construction materials***
  - **No property tax on real or personal property-up to 30 years**
    - **Subject to negotiated payment in lieu of taxes (“PILOT”)**
- **DEVELOPER CONSTRUCTS PROJECT AS AGENT FOR LOCAL GOVERNMENT**
- **“PROJECT” MUST MEET STATUTORY REQUIREMENTS**

## INDUSTRIAL REVENUE BONDS

- **LOCAL GOVERNMENT OWNS FACILITY PROPERTY**
- **DEVELOPER LEASES FACILITY AND OPERATES IT FOR DURATION OF BONDS**
- **NO FINANCIAL RISK TO LOCAL GOVERNMENT**
- **LOCAL GOVERNMENT CAN NOT OPERATE FACILITY**

## **INDUSTRIAL REVENUE BONDS**

- **LOCAL POLITICAL PROCESS TO ISSUE BONDS**
  
- **NEGOTIATED PILOT PAYMENTS**
  
- **SOME UNEXPECTED ITEMS FOR FACILITY CAN BE CONSTRUCTION MATERIAL**
  - **Wind turbine towers**
  - **Solar farm equipment**
  - **Everything in a power plant**
  - **May need cost segregation study**

## “IRB LIGHT”-PROPERTY TAX ONLY

- **COUNTY AND/OR MUNICIPAL ABATEMENT**
  - Political process
  
- **NOT SCHOOL PROPERTY TAX**
  
- **PERSONAL PROPERTY ONLY**
  - Not dirt or buildings
  - Not fixtures to land
  
- **UP TO 20 YEARS**
  
- **UP TO 100%**

## INVESTMENT CREDIT

- **GROSS RECEIPTS, COMPENSATING AND WITHHOLDING TAX CREDIT**
  - **New Mexico has no deduction for purchase of manufacturing equipment like many states**
- **5% OF VALUE OF NEW EQUIPMENT**
- **MUST ALSO CREATE NEW JOBS**
  - **Best for new plants**
  - **Not useful for improved efficiency**

## INVESTMENT CREDIT

- **CAN BE USED FOR IRB PROJECTS**
- **GENERALLY NOT REFUNDABLE**
- **NOT TRANSFERABLE**
- **CARRIES FORWARD UNTIL EXHAUSTED**

## RURAL JOBS TAX CREDIT

- **GROSS RECEIPTS, COMPENSATING, WITHHOLDING**
  - Not local option gross receipts
- **CORPORATE AND PERSONAL INCOME TAX**
- **UP TO \$1,000 FOR FIRST \$16,000 FOR EACH NEW JOB**
- **UP TO FOUR YEARS PER JOB**

## RURAL JOBS TAX CREDIT

- **EMPLOYER MUST BE JTIP ELIGIBLE**
- **CARRIES FORWARD THREE YEARS**
- **TRANSFERABLE**

## HIGH WAGE JOBS TAX CREDIT

- **GROSS RECEIPTS, COMPENSATING AND WITHHOLDING TAX**
  - Not local option gross receipts tax
- **10% OF ANNUAL WAGES AND BENEFITS TO NET NEW HIGH WAGE EMPLOYEES UP TO \$12,000 IN CREDIT**
- **FOR FOUR YEARS FOR EACH NEW EMPLOYEE**
- **HIGH WAGE:**
  - **\$28,000 RURAL**
  - **\$40,000 URBAN**

## HIGH WAGE JOBS TAX CREDIT

- **GENERALLY FOR EXPORTERS OF GOODS AND SERVICES**
- **REFUNDABLE**
- **NOT TRANSFERABLE**

## TECHNOLOGY JOBS TAX CREDIT

- **BASIC CREDIT: GROSS RECEIPTS, COMPENSATING AND WITHHOLDING TAX**
  - Not local option gross receipts tax
  - 4% of qualified expenditures
  
- **ADDITIONAL CREDIT: PERSONAL AND CORPORATE INCOME TAX**
  - 4% of qualified expenditures/ 8% in rural areas, *and*,
  - Annual payroll expense increases at least \$75,000 for every \$1,000,000 of qualified expense

## TECHNOLOGY JOBS TAX CREDIT

- **TECHNOLOGICAL RESEARCH FOR NEW OR IMPROVED “BUSINESS COMPONENT” AND PRODUCT OR PROCESS**
- **WIDE VARIETY OF PLANTS AND FACILITIES**
  - **Not operated for federal agency**
- **NOT TRANSFERABLE**
- **NOT REFUNDABLE**
- **CARRIES FORWARD**
- **STATUTORY CLAWBACK PROVISION**

## REFUNDABLE FILM CREDIT-INCOME TAX

- **CREDIT FOR PRODUCTION COMPANIES**
- **NEW MEXICO PERSONAL AND CORPORATE INCOME TAX**
- **25% OF QUALIFYING EXPENDITURES IN NEW MEXICO**
  - **Production**
  - **Post-production**
  - **New Mexico Tax Must Be Paid on Payments**
    - **GRT**
    - **Income tax**
- **REFUNDABLE IF NOT SUFFICIENT TAX LIABILITY TO EXHAUST (“REBATE”)**

## REFUNDABLE FILM CREDIT-INCOME TAX

### ▪ LIMITATIONS

- **20% if production company gets federal new markets tax credit**
- **Can not use expenses vendor deducts from gross receipts tax (discussed below)**
- **\$5million maximum *credit* for performing artist expenses**

## FILM VENDOR SALES-GROSS RECEIPTS TAX

- **DEDUCTION FOR VENDOR RECEIPTS FROM SALES TO QUALIFYING PRODUCTION COMPANIES ACTIVE IN NEW MEXICO**
- **PRODUCTION COMPANY PURCHASER MUST QUALIFY WITH NEW MEXICO FILM OFFICE**
- **PRODUCTION COMPANY MUST OBTAIN TYPE 16 NONTAXABLE TRANSACTION CERTIFICATE FROM TAXATION AND REVENUE DEPARTMENT AND PROVIDE IT TO VENDOR**

## FILM VENDOR SALES-GROSS RECEIPTS TAX

### ■ **QUALIFYING SALES**

#### ■ **LEASING PROPERTY EMPLOYED IN NEW MEXICO**

- Tangible personal property
- Perhaps leases of facilities (typically not taxed anyway)

#### ■ **PERFORMING SERVICES IN NEW MEXICO**

- Story
- Salaries of talent, management, labor including payments to personal services corporations
- Set construction, operations, wardrobe, etc.
- Photography, sound, lighting, etc.
- Other direct costs of production

## OTHER CREDITS

- AFFORDABLE HOUSING
- AGRICULTURAL WATER CONSERVATION
- CORPORATE CHILD CARE EXPENSES
- JOB MENTORSHIP
- TRIBAL LANDS-INTERGOVERNMENTAL CREDIT
- WELFARE TO WORK CREDIT
- NATIONAL LAB SMALL BUSINESS PARTNERSHIP CREDIT

- **PRESERVATION OF CULTURAL PROPERTY**
- **ENTERPRISE ZONE BUILDING REHABILITATION**
- **ANGEL INVESTOR**
- **GRT CREDIT FOR TRIBAL TAXES**
- **AIRCRAFT SALE, MAINTENANCE AND TRAINING**
- **DOUBLE WEIGHTED SALES FACTOR**
- **OPTIONAL METHODS TO REPORT CORPORATE INCOME TAX**