

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR:	Maes	DATE TYPED:	01/25/00	HB	
SHORT TITLE:	Enterprise Zone Business Tax Credit			SB	41
				ANALYST:	Williams

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
		No Fiscal Impact		

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

Economic Development Department (EDD)

Department of Labor (DOL)

SUMMARY

Synopsis of Bill

Endorsed by Economic and Rural Development and Telecommunications Committee. Authorizes a tax credit against New Mexico personal and corporate income taxes for net income from a business facility in an enterprise zone. The tax credit would be: 1) up to \$500 for each economically disadvantaged or long-term unemployed worker employed in the facility for at least 30 hours per week for a least six months during the tax year and 2) Up to \$250 for other employees in the facility working at least thirty hours per week for at least three months during the tax year. To be eligible, the taxpayer must show at least \$5,000 has been invested for each job created. The credit is limited to 50% of the tax due from net income of the business facility in the enterprise zone, and credits can be carried forward up to four years. Proportional claims are authorized for married filing separate returns and partnership interests. Employers would submit verification to DOL and TRD. Effective date would be tax year 2000.

FISCAL IMPLICATIONS

TRD estimates no fiscal impact because: 1) Deming and Luna County have the only state-designated enterprise zone and 2) Businesses utilizing the state's Investment Credit are not eligible for this credit and the Investment Credit provides a greater benefit.

ADMINISTRATIVE IMPLICATIONS

TRD does not anticipate an administrative impact.

DOL indicates the agency does not currently have sufficient staff to determine whether hours and duration of work requirements have been met. Further, DOL is concerned about a federal conformity issue because it is a federally funded agency, and this verification would become a state-mandated activity without a state appropriation. DOL estimates an additional fiscal impact of \$148.0 for salaries, benefits and equipment for 2 FTE.

TECHNICAL ISSUES

DOL notes the definitions of "economically disadvantaged" and "long term unemployed" in this legislation differ from federal guidelines for expenditure of Department of Labor funds in the Job Training Partnership Act.

OTHER SUBSTANTIVE ISSUES

DOL notes the existing Welfare-to-Work Tax Credit program would address tax incentives for employers in all of the enterprise zone counties, which are identified as Mora, Rio Arriba, Taos and Luna, with out raising federal conformity issues.

AW/njw