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F I S C A L I M P A C T R E P O R T

SPONSOR:	Lujan	DATE TYPED:	02/06/01	HB	342
SHORT TITLE:	Investment Credit Extension			SB	
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	**FY02**			
	NFI	Indeterminate	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates Senate Bill 139

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This legislation extends the Investment Credit Act in its current form to Fiscal Year 2011, at which time the credit requirement becomes 1 FTE per $100,000 in credit claimed. This bill requires the Interim Revenue Stabilization and Tax Policy Committee to review the investment credit's effectiveness in the year 2005 and report its conclusions to the Legislature. The bill extends the option for manufacturers to employ a "double-weighted sales factor" apportionment formula against corporate income until tax years beginning on January 1, 2011. The double-weighted corporate income tax apportionment procedure is scheduled by current statute to expire in January, 2003. The investment credit will, in absence of legislation to the contrary, expire in tax year 2004.

FISCAL IMPLICATIONS

This bill has no fiscal impact in FY02 because it extends current deadlines that are contained beyond fiscal year 2002. After 2004, the Taxation and Revenue Department states the fiscal impacts of the proposed measure are uncertain.

Manufacturers currently comprise about one-third of the corporate income tax base. Under the double-weighted sales factor procedure, the maximum tax reduction available to a corporation is 25 percent of tax obligations. If all manufacturers are currently making use of the formula and receive the maximum possible benefit, the result is a tax savings of about 8 percent of current corporate income tax obligations or between $10 million and $15 million annually from what collection would otherwise be.

However, it is arguable that this will cause firms to locate or expand in New Mexico that would not otherwise do so. If that is correct, the apportionment option may actually increase New Mexico corporate income tax obligations.

OTHER SUBSTANTIVE ISSUES

New Mexico Investment Credit History

Year	Number of Firms	Number of Claims Approved	Amount ($) of Claims Approved	Number Jobs
1986	9	12	157,403	36
1987	3	4	5,268	3
1988	6	9	158,675	37
1989	5	7	268,184	60
1990	10	17	192,179	46
1991	16	23	237,692	22
1992	15	18	13,750,350	319
1993	23	32	12,723,285	327
1994	23	30	21,423,756	533
1995	18	29	29,769,143	664
1996	28	35	34,841,179	894
1997	28	32	5,476,046	204
1998	20	34	31,181,371	714
1999	21	27	2,839,370	131
Total		**309**	**153,023,905**	**3,990**

JBE/a Source: Taxation and Revenue Department r