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FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 02/27/01 HB 837
 SHORT TITLE: Eligibility for Rural Job Tax Credit SB _____
 ANALYST: Dotson

REVENUE

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

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)
 Economic Development Department
 Department of Labor (DOL)

SUMMARY

Synopsis of Bill

HB 837 removes the responsibility of certifying wages paid for “rural job credits” from the Economic Development Department and places it on the employer.

The employer is required to certify wages as part of the process of seeking approval for the credit. Once the business has been approved for in-plant training funds, the remaining administration of the rural jobs credit is placed on the Taxation and Revenue Department working with the employer. The job will no longer have to be selected from in-plant training assistance.

Significant Issues

The credit is available from July 1, 2000 to June 30, 2005.

PERFORMANCE IMPLICATIONS

According to the Economic Development Department, this bill will stimulate job creation in New Mexico by allowing companies to receive credit for all of the jobs that are created. The bill will positively affect the job creation performance of the Economic Development Department because it does not strictly tie the eligibility requirements to the Industrial Development Training Program. This bill will allow companies to use other incentives in conjunction with the Rural Jobs Tax Credit without penalizing the company by limiting their use of the rural jobs tax credit. Management and

Administrative personnel would now qualify for the credit. This would be a positive benefit to New Mexico because it would create an incentive for companies to hire their management team from New Mexico.

FISCAL IMPLICATIONS

This bill does not appropriate any money to any agency and the bill does not modify the calculation of the amount of the tax credit.

According to the Taxation and Revenue Department, the cost of this program is included in the revenue estimate at \$3.8M for FY 2002. The estimate for jobs in qualifying areas has decreased to about 3,500 from 7,900 jobs estimated a year earlier. This decreases the estimate for the general fund's maximum exposure to the rural jobs credit to under \$12M.

ADMINISTRATIVE IMPLICATIONS

The bill decreases the administration of the Rural Jobs Credit Program on the Economic Development Department because the department would not be required to determine the eligibility of each employee working for a company eligible for the tax credit.

According to the Taxation and Revenue Department, the Department does this verification in any event and this bill simplifies the process.

OTHER SUBSTANTIVE ISSUES

According to the Taxation and Revenue Department, a credit applicable to six different taxes and two surcharges entails high transactions costs for both the department and the tax payer. Applying the credit to either income *or* CRS taxes and allowing it to be carried forward until exhausted would ensure the ability of employers to take full advantage of it while significantly diminishing processing and reporting costs. Because the credit is transferable, there is even less reason to make it applicable to both income and gross receipts taxes. The cost of administering a credit under Corporate Income Tax is a fraction of the same credits processed through the Combined Reporting system (CRS) and credited against gross receipts tax liability.

PD/ar:prr