



# FY 2016 Locomotive Fuel Deductions Report

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# Interim Report

- ▶ The legislation (7-9-110.1 and 7-9-110.2) requires a review of the effectiveness of the deduction every six years beginning in 2019
- ▶ This report is based on reporting criteria specified in the legislation and by the rules adopted
- ▶ Shared reporting by the EDD and TRD is necessary as each hold some of the required information



# GRT and Comp. Tax Relief As Reported

- ▶ Union Pacific (UP)
  - \$9.5 million in Compensating Tax relief
  - \$0 in Gross Receipts Tax relief
  
- ▶ BNSF Railway
  - \$6.5 million in combined tax relief
    - \$4.6 million (71%) in Gross Receipts Tax relief
    - \$1.9 million (29%) in Compensating Tax relief

# Estimated PIT Revenue

## ▶ UP

### ◦ Construction Jobs

- assumed average annual wage of \$40,470\*
- at \$40,470, the 1,375 construction jobs would have resulted in \$55.6 million in income (3.5 years construction project)
- this results in **\$1.7 million** in PIT revenue†

### ◦ Permanent Jobs

- assumed an average annual wage of \$90,000\*\*
- at \$90,000 the 434 permanent jobs would have resulted in \$39 million in income (3.5 years construction project)
- this results in **\$1.2 million** in PIT revenue†

\*NM Department of Workforce Solutions. Occupational Employment and Wage Data (Feb 2016)

\*\* Reported by UP

† Assuming an average PIT rate of 3%



# Estimated PIT Revenue (Cont.)

## ▶ BNSF

### ○ Permanent Jobs

- assumed average annual wage of \$82,000\*
- at \$82,000, the 993 permanent jobs would have resulted in \$81.4 million in income
- this results in **\$2.4 million** in PIT revenue†

### ○ Construction Jobs

- not reported

\* Reported by BNSF

† Assuming an average PIT rate of 3%



# Locomotive Fuel Deductions

- ▶ In 2011, the Legislature enacted the GRT and Compensating Tax deductions for locomotive fuel to “encourage the construction, renovation, maintenance and operation of railroad locomotive refueling facilities and other railroad capital investments in New Mexico.”
  - Rep. Powdrell Culbert – HB523 in 2011 Regular Session
  - Rep. Lundstom – HB120 amended the statute in 2013 Regular Session
- ▶ A common carrier must be mindful of 2 key dates to be eligible for the deductions:
  - make a capital investment of \$100 million or more in new construction or renovations at the railroad locomotive refueling facility in which the fuel is loaded or used after July 1, 2011 or,
  - make a capital investment of \$50 million or more in new railroad infrastructure improvements, including railroad facilities, track, signals and supporting railroad network, located in New Mexico on or after July 1, 2012.
    - new railroad infrastructure improvements cannot be required by a regulatory agency to correct problems, such as regular or preventive maintenance, specifically identified by that agency as requiring necessary corrective action



# Eligibility

- ▶ EDD is Required to:
  - certify a taxpayer's eligibility for the deductions
  - promulgate rules for issuance of that certificate of eligibility, and
  - track the jobs created by the deductions
  
- ▶ EDD has certified that both Union Pacific and BNSF have made the capital investment necessary to be eligible for the deductions in FY16

# Union Pacific (UP) Reports...

- ▶ 2,200 acre site located in Santa Teresa industrial park region
  - to date, it has invested \$350 million in the facility (construction occurred between June 2011 and December 2014)
  - construction completed 1 full year ahead of schedule
  - facility has been fully operational since April, 2014
  - 1,375 construction jobs over the 3.5 year construction period
- ▶ As of 6/30/2016, 434 new permanent jobs were created
  - 303 UP employees, 131 contractors





# UP Reports (Cont.)

- ▶ estimated average annual salary of UP's 303 employees is about \$90,000 (more than double the New Mexico average)
- ▶ in FY16, UP had a payroll of approx. \$48 million and in-state purchases of about \$1.5 million
- ▶ between 2011 and 2015, UP has invested more than \$538 million in its rail infrastructure in NM
- ▶ between January 2013 and December 2015, the number of rail cars that originate and terminate in NM jumped from 15,955 to 99,947 (150% increase per year on average)
- ▶ UP has provided support to 26 NM charitable organizations through a combination of the UP Foundation, matching gifts and corporate contributions



# BNSF Railway Reports...

- ▶ increase of \$8 million in operating revenue in 2015 over 2013
- ▶ estimated average annual salary of about \$82,000 (which almost doubles the state average)
- ▶ completed more than \$155 million in capital improvements to make signal and main-line track improvements in New Mexico and add a locomotive servicing area in Belen
- ▶ BNSF is one of the largest private sector employers in both Clovis and Belen with other facilities in Albuquerque and Gallup
- ▶ in early 2016, BNSF announced \$100 million capital expenditure plan that will involve replacing and upgrading rail-ties and ballast in NM
  - BNSF has spent more than \$325 million in capital expenditures over the past three years



# Thank you!

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<http://www.tax.newmexico.gov>

