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FISCAL IMPACT REPORT

SPONSOR Campos DATE TYPED 1/31/05 HB 163

SHORT TITLE Tax Credit for Rural High Wage Jobs SB _____

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
Uncertain	Uncertain	(\$100.0)	Recurring	General Fund
Uncertain	Uncertain	\$10.0	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Taxation and Revenue Department
 Economic Development Department

SUMMARY

HB 163 amends the high wage tax credit. The definition of an eligible employer is expanded to include an employer who made more than 50 percent of its sales to persons outside the county in which the employer is located, provided that that county has a population less than 40 thousand.

Current law (passed in the 2004 legislative session) defines eligible employers as those who made 50 percent of their sales to persons outside New Mexico. Eligible employers may claim a “high wage” tax credit equal to 10 percent of the wages paid for economic base jobs that pay more than \$40,000 per year in municipalities with populations greater than 40 thousand and \$28 thousand in municipalities with a population less than 40 thousand. The credit may be claimed for up to four years.

The bill has no effective date, and is presumed effective 90 days after the end of the legislative session.

FISCAL IMPLICATIONS

The Taxation and Revenue Department notes that the legislation passed last year has a delayed effective date, and thus they have not yet processed any credits under the law. They assume that the fiscal impact of this bill would be relatively modest because the number of manufacturing jobs in the affected counties is small and unlikely to grow quickly. The estimated fiscal impact of \$100.0 is simply equal to 5 percent of the cost estimate for the current credit. Local governments funds are impacted because 1.225 percent of the 5 percent state gross receipts tax rate is distributed to municipalities, and because 20 percent of compensating tax revenues are distributed to small cities and counties.

The estimated fiscal impact prepared for this bill may be overly modest. Although, the current employment base in eligible communities is small, the bill creates an incentive for certain firms to locate in eligible areas. This is likely to be most important in small counties adjacent to large counties. For example, a manufacturing firm that supplies a firm located in Bernalillo County would benefit by locating in Torrance County.

TECHNICAL ISSUES

TRD suggests that a definition of the population measure to be used in determining eligibility be provide in order to make implementation easier.

TRD provided the 2000 census county population numbers shown here.

Total Population of New Mexico Counties: 2000			
Source: U.S. Census Bureau Summary File			
<u>County</u>	<u>2000 Population</u>	<u>County</u>	<u>2000 Population</u>
Bernalillo	556,678	McKinley	74,798
Catron	3,543	Mora	5,180
Chaves	61,382	Otero	62,298
Cibola	25,595	Quay	10,155
Colfax	14,189	Rio Arriba	41,190
Curry	45,044	Roosevelt	18,018
De Baca	2,240	Sandoval	89,908
Dona Ana	174,682	San Juan	113,801
Eddy	51,658	San Miguel	30,126
Grant	31,002	Santa Fe	129,292
Guadalupe	4,680	Sierra	13,270
Harding	810	Socorro	18,078
Hidalgo	5,932	Taos	29,979
Lea	55,511	Torrance	16,911
Lincoln	19,411	Union	4,174
Los Alamos	18,343	Valencia	66,152
Luna	25,016	NEW MEXICO	1,819,046