

science and technology related or health disciplines or fields and receives benefits and works at least 40 hours per week for seven or more months in the first tax year and 12 months in the second tax year for which the credit is claimed.

The institutions named in the Constitution are UNM, NMSU, Highlands, Northern New Mexico College, Western, Eastern, NM Tech, the Military Institute, the School for the Deaf, and the School for the Blind. As a matter of practice, the vast majority of qualified graduates are produced by NMSU, UNM, and NM Tech.

The bill caps the maximum annual aggregate of credits to \$2 million for the Personal Income Tax and for the Corporate Income Tax.

Effective Date: January 1, 2012

FISCAL IMPLICATIONS

National Science Foundation data yields an estimate of roughly 821 qualified graduates annually. Using the assumption that the bill is effective in retaining half the graduates in-state (see significant issues) produces over 400 credits annually for a cost of around \$2 million.

SIGNIFICANT ISSUES

STEM graduates are probably the most in demand nationally and are handsomely compensated. The University of Michigan reports that entry level salaries for graduates holding a masters degree in electrical engineering is slightly more than \$90 thousand annually. Further, the major in-state “consumers” of masters and post masters STEM graduates are of course the National Labs.

ADMINISTRATIVE ISSUES

HED notes that that they are not the custodian of official transcripts nor do they have capacity to administer this program.

TECHNICAL ISSUES

The annual caps of \$2,000,000 for PIT for CIT may be difficult to implement. TRD will process and provide a credit for any personal income tax or corporate income tax filer that attaches a certificate to the tax return. Compliance with the annual caps must originate with HED which will issue the certificates. There will be substantial conflict when the maximum aggregate of applications for the credit is met and the higher education department issues more certificates of eligibility during a year. TRD is authorized to cease honoring credit claims when the total processed for a given tax year exceeds \$2,000,000 for PIT and \$2,000,000 for CIT. It is not clear if claims limited by the cap will be rolled over to the following tax year without application or whether later filer’s claims will be cancelled. It is equally unclear what will happen during the following tax year if the sum of rollover credits plus new claims again exceed the cap amounts. Based on the estimates in the fiscal section, only 10% of claims will be honored.

The authority for TRD to pay claims is on page 5, line 15 and page 10, line 14. However, this authority uses the phrase, “TRD may pay ...”. Under what circumstances would TRD not pay

claims? If the phrase is intended to allow TRD to deny claims because the overall annual cap has been exceeded, then that should be made explicit. If there are other grounds for TRD not to pay, that, too, should be made explicit.

Paragraph J indicates that a person who gets this credit cannot get the other credits Rural Jobs Tax Credit (RJTC), High Wage Jobs Tax Credit (HWJTC) or Technology Jobs Tax Credit (TJTC,) at all. Should this say that the claimant cannot receive a credit for the same wages that apply for this State Graduate Employment Tax Credit?

The bill could include a provision that would prohibit a taxpayer from getting an annual credit for the same job by firing and hiring a new state graduate every two years.

It is unclear how credit applicants will establish that a particular graduate meets the requirement that qualified graduate be a NM resident who files an individual NM return. This is confidential information of the individual graduates to which the credit claimant will not have access. The employee should not be put in the position of having to agree to release personal information to support the applicant's claim. The claimant is in position, however, to verify when and if a potential or actual employee graduated from one of the State's Constitutional Institutions.

SS/svb