

# New Mexico Incentives Overview and Examples

## Job Training Incentive Program

New Mexico has one of the most aggressive training incentive packages in the country. The Job Training Incentive Program (JTIP) funds classroom and on-the-job-training for newly created jobs in expanding or relocating businesses for up to six months. The program reimburses 50 to 75 percent of employee wages and required travel expenses. Custom training at a New Mexico public educational institution may also be covered.

### Example

In the following example, a renewable/ alternative energy manufacturing company hires four different types of workers at different wage rates and different training time schedules:

### Urban Scenario – Albuquerque, Rio Rancho, Las Cruces, Roswell

Employee Type	Number of Employees	Hourly Wage	Est. Allowable Training Hours	Reimbursement Rate	Job Training Incentive Dollars
Entry level/low skilled	100	\$ 11.00	160	50%	\$ 88,000.00
Semi skilled	100	\$ 13.94	640	50%	\$ 446,080.00
Mid/high skill level	20	\$ 21.63	960	50%	\$ 207,648.00
VP/Engineer level	5	\$ 38.46	1040	50%	\$ 99,996.00
<b>Estimated Job Training Value</b>					<b>\$ 841,724.00</b>

### Rural Scenario – Other areas, including Santa Teresa

Employee Type	Number of Employees	Hourly Wage	Est. Allowable Training Hours	Reimbursement Rate	Job Training Incentive Dollars
Entry level/low skilled	100	\$ 11.00	480	65%	\$ 343,200.00
Semi skilled	100	\$ 13.94	640	65%	\$ 579,904.00
Mid/high skill level	20	\$ 21.63	960	65%	\$ 270,067.20
VP/Engineer level	5	\$ 38.46	1040	65%	\$ 129,994.80
<b>Estimated Job Training Value</b>					<b>\$ 1,323,166.00</b>

### Eligibility Requirements:

Eligibility for JTIP funds depends on the company's business, the role of the newly created jobs in that business, and the trainees themselves.

### Company Eligibility:

Two categories of business are eligible for consideration:

- Companies that manufacture or produce a product in New Mexico.
- Non-retail service companies that export a substantial percentage of services out of state (60 percent + of revenues and/or customer base).

The company must be financially sound and must be creating new jobs as a result of expansion or relocation to the State of New Mexico.

### Job Eligibility:

Jobs eligible for funding through JTIP must be:

- Full time (minimum of 32 hours/week)
- Year-round
- Directly related to the creation of the product or service. (One in ten positions applied for may be outside product/service creation.)

Trainees must be guaranteed full-time employment upon successful completion of the training program.

### Trainee Eligibility:

To be eligible for funding under JTIP, trainees must be:

- New hires to the company
- Residents of the State of New Mexico for at least one year at any time prior to employment in an eligible position.

Trainees must also not have left high school in the three months prior to employment, unless they have graduated or completed a GED.

Expenses are reimbursed after training is completed.

## How to Apply

Each company requesting funds from the Job Training Incentive Program (JTIP) must submit a written proposal. The proposal establishes the company's eligibility under the program, its viability as a business, and the relationship of the new jobs to business expansion. A training plan is required to help ensure the success of the trainees, the training program, and ultimately the business.

A JTIP Proposal Guide is available from the JTIP staff in the New Mexico Economic Development Department. This guide outlines proposal requirements and provides examples for reference. Staff is available to answer questions and provide technical assistance with proposal development.

Proposals are due to the JTIP staff in the Economic Development Department one month before the Board meeting at which funding is requested. The JTIP Board meets the second Friday of every month. Meetings are held in Albuquerque, Santa Fe, and rural communities.

## High Wage Jobs Tax Credit

This tax credit equals 10 percent of the wages and benefits for each new economic-base job created. Qualified employers can receive the credit for up to four years.

A taxpayer who is an eligible employer may apply for and receive a tax credit for each new high-wage, economic-based job.

### Example

Using the same example as above, a portion of the employees in both urban and rural areas will qualify for the HWJTC:

#### Urban Scenario

Number of Employees	Hourly Wage	Benefits (est. 25% of wages)	Salary and Benefits per Employee	Tax Credit (10% of wages and benefits)	Value of Credit Over 4 Years
20	21.63	\$11,248	\$56,238	\$112,476	\$449,904
5	38.46	\$19,999	\$99,996	\$49,998	\$199,992
<b>Estimated High Wage Jobs Tax Credit Value</b>					<b>\$ 649,896</b>

#### Rural Scenario

Number of Employees	Hourly Wage	Benefits (est. 25% of wages)	Salary and Benefits per Employee	Tax Credit (10% of wages and benefits)	Value of Credit Over 4 Years
100	13.94	\$7,248	\$36,244	\$362,440	\$1,449,760
20	21.63	\$11,247	\$56,238	\$112,476	\$449,904
5	38.46	\$19,999	\$99,996	\$49,998	\$199,992
<b>Estimated High Wage Jobs Tax Credit Value</b>					<b>\$ 2,099,656</b>

### Qualified jobs:

- Pay at least \$28,000/year in a community with a population of less than 40,000
- Pay at least \$40,000/year in a community with a population of 40,000 or more

The credit can be applied to the state portion of the gross receipts tax, compensating tax, and withholding tax. Any excess credit will be refunded to the taxpayer. The credit shall not exceed \$12,000 per year, per job. To qualify, an employer must:

- make more than 50 percent of its sales to persons outside New Mexico during the most recent 12 months of the employer's modified combined tax liability reporting periods ending prior to claiming this credit
- be eligible for the Job Training Incentive Program (manufacturing facilities and non-retail services industries)
- be growing, with employment greater than the year before

To qualify, an employee must:

- be a resident of New Mexico
- not be a relative of the employer or own more than 50 percent of the company

## Rural Jobs Tax Credit

Credits are designed to encourage job creation in rural New Mexico. Credits are generally estimated at \$1000 per employee per year, good for 2 or 4 years depending on the particular community.

### Example

Using the previous example, if the company located outside of Las Cruces, Albuquerque, Rio Rancho or Santa Fe, the following tax credits could be expected:

Number of Employees	Credit per Employee	Value per Year	Value Over 2 Years	Value Over 4 Years
225	\$ 1,000	\$ 225,000	\$ 450,000	\$ 900,000

Eligible employers may earn the rural job tax credit for each qualifying job created after July 1, 2000, applying it to taxes due on the CRS return or to corporate or personal income tax. An “eligible employer” is one whom the Economic Development Department has approved for Job Training Incentive Program assistance. A qualifying job is a job filled by an eligible employee for 48 weeks in a 12-month qualifying period.

If the amount of credit for a qualifying period exceeds the owner’s tax liability for the period, the excess may be carried forward for up to three years.

Rural New Mexico is defined as any part of the state other than Los Alamos County, certain municipalities (Albuquerque, Rio Rancho, Las Cruces, Santa Fe) and a ten-mile zone around those select municipalities. The rural area is divided into two tiers: Tier Two--all the rural area municipalities that exceed 15,000 in population (Alamogordo, Carlsbad, Clovis, Farmington, Gallup, Hobbs, Roswell); Tier One--everywhere else in the rural area.

For each new qualifying job created, the amount of credit that may be earned:

- Tier One: 25 percent of the first \$16,000 in wages paid—to be claimed in installments of 6.25 percent per year (a maximum annual credit of \$1,000 per job) for 4 years
- Tier Two: 12.5 percent of the first \$16,000 in wages paid—to be claimed in installments of 6.25 percent per year (a maximum annual credit of up to \$1,000 per job) for 2 years

**Manufacturing Investment Tax Credit**

The credit is equal to 5% of the value of eligible manufacturing and processing equipment. Credits are applied against State Gross Receipts Tax, Compensating and Withholding Tax. They can be carried forward indefinitely, and refundable under certain circumstances.

*Example*

Assume the company will hire 225 employees and invest \$195,000,000 in qualifying processing equipment:

**Manufacturing Investment Tax Credit**

Value of Equipment	Compensating Tax Rate	# Jobs Required	Total Exemption
\$195,000,000	5%	225	\$ 9,750,000

The following employment criteria must be met:

- Company must employ one new full-time employee for each \$500,000 in qualified equipment up to \$30,000,000 to receive the credit.
- Company must employ one new full-time employee for each \$1,000,000 in qualified equipment over \$30,000,000 to receive the credit.

The credit may be claimed for equipment acquired under an IRB. This is a double benefit because no gross receipts or compensating tax was paid on the purchase or importation of the equipment.

**Alternative Energy Product Manufacturers Tax Credit**

Credit is equal to 5% of the value of eligible manufacturing and processing equipment. It functions almost identically to the Manufacturing Investment Tax Credit.

**Alternative Energy Product Manufacturing Investment Tax Credit**

Value of Equipment	Compensating Tax Rate	# Jobs Required	Total Exemption
\$195,000,000	5%	225	\$ 9,750,000

The credit is usable by manufacturers of advanced energy vehicles, fuel cell systems, renewable energy systems or any component of an advanced energy vehicle, fuel cell system or renewable energy system of components for integrated gasification combined cycle coal facilities and equipment related to the sequestration of carbon from integrated gasification combined cycle plants.

The credit may be claimed for equipment acquired under an IRB and may be used in conjunction with the Manufacturers Tax Credit. This is a triple benefit because no gross receipts or compensating tax was paid on the purchase or importation of the equipment.

The credit may be deducted from the taxpayer’s modified combined tax liability. Unused portions of the credit may be carried forward for five years.

## Industrial Revenue Bonds

New Mexico communities can issue IRBs to exempt companies from property taxes on land, buildings, and equipment. Companies creating new business facilities can receive a property tax exemption for up to 20 years. The gross receipts tax is New Mexico's version of a sales tax. Sales of tangible personal property (other than construction materials) to governments are deductible from this tax. Similarly, importation of tangible personal property for use by governments is also exempt. When the property is purchased with proceeds of an industrial revenue bond, the government unit issuing the IRB takes title to the property, whether purchased locally or imported. Accordingly, purchases of machinery, office equipment, furniture and similar tangibles as part of an IRB project are not taxed. Tangible personal property (other than building materials and related construction services) purchased with IRB proceeds is also included.

## Technology Jobs Tax Credit

The credit allows businesses to take a credit equal to 4% (8% in rural areas) of expenditures related to qualified research for land, buildings, equipment, computer software and upgrades, consultants, technical books and manuals, test materials, costs associated with patents, payroll, and labor. The credit may be taken against gross receipts tax, compensating tax or state payroll tax, and may be carried forward. An addition 4% incentive (8% total urban, 16% total rural) may be applied against state income tax if base payroll expenses increase by at least \$75,000 per \$1,000,000 of expenditures claimed. The credit may be carried forward but cannot be used for building expenditures in conjunction with an Industrial Revenue Bond.

## Research and Development Small Business Gross Receipts Tax Deduction

Any service that is exported from the state, including research and development services are not subject to New Mexico gross receipts tax. These services must be produced by a business with a New Mexico office, sold to an out-of-state buyer and delivered and initially used out-of-state. This makes R&D a deductible transaction.

## Green Building Tax Credits

Tax credits are available for "green" building to encourage companies to build and operate in a sustainable and conservative manner. The rate of tax credits are based on the level of conservation and energy efficiency used. The following chart shows rates solely for new construction, but be aware that credits are also available for existing buildings as well as commercial interiors.

**Green Building Tax Credits**

	New Construction		
	Silver	Gold	Platinum
1st 10,000 sq. ft. (\$ / sq. ft.)	3.50	4.75	6.25
Next 40,000 sq. ft.	1.75	2.00	3.25
> 50k, up to 500k sq. ft.	0.70	1.00	2.00

## New Mexico Incentives for Renewable/ Alternative Energy Power Generation

Power generation is eligible for Job Training Incentive Program reimbursements, Rural Jobs Tax Credits (\$1000 per job if in a rural area), High Wage Jobs Tax Credits (if over \$28,000 in a rural area or \$40,000 in an urban area), the Renewable Energy Production Tax Credit, and the Advanced Energy Tax Credit.

## Renewable Energy Production Tax Credit

The Renewable Energy Production Tax Credit allows a graduated-scale credit that averages 2.7 cents per kilowatt-hour of production for facilities greater than 1 megawatt. Producers are eligible for 10 years. Tax credits are taken against corporate income tax and personal income tax, and can be carried forward five years or refunded. The graduated scale is detailed in the chart below, and is valid for the first 200,000 megawatt hours produced each year. If power is generated by wind or biomass, the credit allows for 1 cent per kilowatt-hour for the first 400,000 megawatt hours produced.

**Renewable Energy Production Tax Credit (cents per kilowatt-hour)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Solar	1.5	2	2.5	3	3.5	4	3.5	3	2.5	2
Wind/ Biomass	1	1	1	1	1	1	1	1	1	1

## Advanced Energy Tax Credit

The Advanced Energy Tax Credit, also referred to as Concentrated Solar Power (CSP) Tax Credit, provides a 6% credit for the costs of development and construction as well as associated energy storage devices. The credit goes against gross receipts, withholding, and corporate income tax, and can be carried forward for five years.