

# NEW MEXICO Tax Incentives

To encourage companies to supply our growing markets, New Mexico's legislature has adopted some of the country's most aggressive business incentives.

## High Wage Jobs Tax Credit

A taxpayer who is an eligible employer may apply for and receive a tax credit for each new high-wage economic-base job. The credit amount equals 10% of the wages and benefits paid for each new economic-base job created.

### Qualified jobs:

- Pays at least \$28,000/year in a community with a population of less than 40,000
- Pays at least \$40,000/year in a community with a population of 40,000 or more
- Occupied for at least 48 weeks by the employee

### Qualified employers:

- Made more than 50% 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
- Are eligible for the Job Training Incentive Program
- Are growing with employment greater than the previous year

Qualified employers can take the credit for 4 years. 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.

### Qualified employees:

- Must be a resident of New Mexico or have been one for at least 12 months at some point.
- Cannot be a relative of the employer or own more than 50% of the company

## Investment Tax Credit for Manufacturers *(Investment Credit Act)*

Manufacturers may take a credit against gross receipts, compensating or withholding taxes equal to 5.125% of the value of qualified equipment imported and put into use in a manufacturing plant in New Mexico, provided the manufacturer meets the criteria of hiring additional workers to earn the credit, as follows:

### For Claims 1 new worker employed for each

0-\$30,000,000:	\$500,000 qualified equipment
Over \$30,000,000:	\$1 million in qualified equipment

The credit may (also) 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.

The manufacturer simply reduces its tax payment to the state (by as much as 85% per reporting period) until the amount of investment credit is exhausted. There also are provisions for issuing a refund when the credit balance falls under \$500,000. The credit does not apply against local gross receipts taxes.

## Rural Jobs Tax Credit

This credit can be applied to taxes due on (state) gross receipts, corporate income, or personal income tax.

**Company eligibility:**

- Companies that manufacture or produce a product in New Mexico
- Non-retail service companies that export a substantial percentage of services out of state (50% or more revenues and/or customer base)
- Certain green industries

**Maximum tax credit within Sierra County:**

25% of the first \$16,000 in wages paid for each qualifying job (may be taken at \$1,000 per year for four years). A qualifying job is a job filled by an eligible employee for 48 weeks in a 12-month qualifying period. The credit may be carried forward for up to 3 years.

**Gross Receipts Tax Deduction for Services Sold Out-of-State**

Services that are exported from the state 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.

**Single Sales Factor**

Beginning January 1, 2014, New Mexico began phasing in a single sales factor apportionment methodology for corporations whose principal business activity is manufacturing. For the purposes of apportioning income, “manufacturing” excludes construction, farming, power generation, and processing natural resources including hydrocarbons.

Five-Year Policy Changes:

<u>Year</u>	<u>Apportionment</u>
2014	Double-Weighted Sales
2015	Triple-Weighted Sales
2016	70% Sales
2017	80% Sales
2018	Single Sales Factor

**Double Weight Sales Factor**

A corporation with income from sources within New Mexico as well as from sources outside the state, apportions the income based on a three-factor formula. New Mexico taxes the total corporate income multiplied by the average proportion of corporate sales, payroll and property in New Mexico. The three factors (sales, payroll and property) have equal weight (33.33% each) in the formula.

For purposes of electing the four-factor apportionment method, “manufacturing” excludes construction, farming, power generation and processing of natural resources, while allowing certain natural-gas-fired, wholesale power plants to qualify. The taxpayer, having elected to use the double-weighted formula, must use it for at least three consecutive years.