



Roswell . . . believe

New Mexico Tax Incentives 2014

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 for jobs created prior to June 30, 2015 or \$40,000/year for jobs created after July 1, 2015
- Pays at least \$40,000/year in a community with a population of 40,000 or for jobs created prior to June 30, 2015 or \$60,000/year for jobs created on or after July 1, 2015
- Occupied for at least 48 weeks by the employee

The new wage thresholds apply to jobs created on or before July 1, 2015. The lower thresholds apply to jobs created before July 1, 2015 for the duration of the four qualifying periods.

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 may only be claimed for up to one year after the end of the four qualifying periods. 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
- Cannot be a relative of the employer or own more than 50% of the company

Rural Jobs Tax Credit

This credit can be applied to taxes due on (state) gross receipts, corporate income, or personal income tax. Rural New Mexico is defined as any part of the state other than Los Alamos County; certain municipalities: Albuquerque, Rio Rancho, Farmington, Las Cruces, Roswell, and Santa Fe; and a 10-mile zone around those select municipalities.

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

The rural area is divided into two tiers:

- Tier 2 = Non-metro area municipalities that exceed 15,000 in population: Alamogordo, Carlsbad, Clovis, Gallup, and Hobbs
- Tier 1 = Everywhere else in a rural area

The maximum tax credit amount with respect to each qualifying job is equal to:

- Tier 1: 25% of the first \$16,000 in wages paid for the qualifying job (may be taken at \$1,000 per year for four years)
- Tier 2: 12.5% of the first \$16,000 in wages paid for the qualifying job (may be taken at \$1,000 per year for two 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 three years.

Technology Jobs Tax Credit

A taxpayer who conducts qualified research and development at a facility in New Mexico is allowed a basic tax credit equal to four percent (4%) of qualified expenditures, and an additional four percent (4%) credit toward income tax liability by raising its in-state payroll \$75,000 for every \$1 million in qualified expenditures claimed. The tax credit doubles for expenditures in facilities located in rural New Mexico (as defined for this tax credit as anywhere outside Rio Rancho or more than 3 miles outside Bernalillo, Dona Ana, San Juan or Santa Fe counties). The taxpayer claims the credit within one year following the end of the year in which the expenditure was made. The credit amount is applied against the taxpayer's state gross receipts, compensating and withholding liabilities until the credit is exhausted.

Eligible Uses

- **Expenditures:** Includes a wide range of non-reimbursed expenses such as payroll, consultants and contractors performing work in New Mexico, software, equipment, technical manuals, rent, and operating expenses of facilities.
- **Research:** Must be technological in nature and constitute elements of a process of experimentation leading to new or improved function, performance or reliability (not cosmetic, style).
- **Facility:** A building or group, with land and machinery, equipment and other real or personal property used in connection with the operation of the facility; excludes national labs.

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 when the following employment conditions are met:

- For every \$500,000 of equipment, one employee must be added up to \$30 million; and
- For amounts exceeding \$30 million, one employee must be added for each \$1 million of 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.

Child Care Corporate Income Tax Credit

Corporations providing or paying for licensed child care services for employees' children under 12 years of age may deduct 30% of eligible expenses from their corporate income tax liability for the taxable year in which the expenses occur. For a company operating a value-added day care center for its employees, this credit reduces the cost to provide this benefit to employees. The corporate income tax credit is 30% of eligible costs up to \$30,000 in any taxable year. Unused credit amounts may be carried forward for three years.

Agricultural Business Tax Deductions and Exemptions

- Feed for livestock, including the baling wire or twine used to contain the feed, fish raised for human consumption, poultry or animals raised for hides or pelts and seeds, roots, bulbs, plants, soil conditioners, fertilizers, insecticides, germicides, insects, fungicides, weedicides and water for irrigation
- Warehousing, threshing, cleaning, harvesting, growing, cultivating or processing agricultural products including ginning cotton and testing and transporting milk
- Feeding, pasturing, penning, handling or training livestock and, for agribusinesses, selling livestock, live poultry and unprocessed agricultural products, hides and pelts
- Fifty percent (50%) of receipts from selling agricultural implements, farm tractors or vehicles
- Receipts from sales of veterinary medical services, medicine or medical supplies used in the medical treatment of cattle if the sale is made to one of the following:
 - A person engaged in the business of ranching or farming, including dairy farmers
 - A veterinarian who is providing veterinary medical services, medicine or medical supplies in the treatment of cattle owned by a person engaged in the ranching or farming business

Aircraft Deductions

- Receipts from selling aircraft parts or maintenance services for aircraft or aircraft parts of receipts of an aircraft manufacturer from selling
 - Aircraft flight support, pilot training or maintenance training services
- Receipts from the sale of or from maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier over 10,000 pounds gross landing weight
- Fifty percent (50%) of gross receipts from selling other aircraft

- Fifty-five percent (55%) of the receipts from selling jet fuel for use in turboprop or jet engines until June 30, 2017; forty percent (40%) after June 30, 2017

Beer and Wine Producers Preferential Tax Rate

Microbreweries producing less than 5,000 barrels of beer annually and small wineries producing less than 560,000 liters of wine per year qualify for a preferential tax rate.

The Liquor Excise Tax Act imposes taxes on beer, wine and spirituous liquors. The basic tax rate for wine is 45 cents per liter. Wine produced by a small vintner carries a tax of 10 cents per liter on the first 80,000 liters and 20 cents on production over that level up to 560,000 liters. The basic tax rate for beer produced by a brewery is 41 cents; beer produced by a microbrewery (producing less than 5,000 barrels annually) is taxed at 8 cents per gallon.

Rural Software Development Gross Receipts Tax Deduction

Receipts from the sale of software development services may be deducted from gross receipts tax when the service is performed in a rural area. Software development services include custom software design and development and web site design and development, but does not include software implementation or support services. A rural area is defined as any not within the municipal boundaries of the cities of Albuquerque, Las Cruces, Rio Rancho and Santa Fe are not eligible for this deduction.