

# 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

High Wage Tax Credit Application  
Certificate of Eligibility  
Claim Form

## 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.

Rural Jobs Tax Credit Application  
Certificate of Eligibility  
Claim Form

## 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*

1. 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.
2. 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).
3. 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.

### Technology Jobs Tax Credit Application Claim Form

## 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.

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.

[Investment Tax Credit Application](#)  
[Schedule A](#)  
[Claim Form](#)

## **Angel Investment Credit**

A taxpayer who files a New Mexico income tax return and who is a “qualified investor” may take a tax credit of up to \$25,000 (25% of a qualified investment of not more than \$100,000) for an investment made in a New Mexico company that is engaging in high-technology research or manufacturing. The taxpayer may claim the angel investment credit for up to two qualified investments in a taxable year, provided that each investment is in a different qualified business. Any portion of the tax credit remaining unused at the end of the taxpayer’s taxable year may be carried forward for three consecutive years.

- Angel Investment Tax Credit: [Instructions](#)
- Angel Investment Tax Credit Application: [Investor](#)
- Angel Investment Tax Credit Application: [Business](#)
- Angel Investment Tax Credit Application: [Other Entity](#)
- Angel Investment Tax Credit Application: [Claim Form](#)
- Angel Investment Tax Credit Overview: [Download](#)

## **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.

## R&D Small Business Tax Credit

A qualified R&D small business is eligible for a credit equal to the sum of all gross receipts taxes or up to fifty percent (50%) of withholding taxes due.

### *Definitions*

Qualified research is defined as that undertaken for the purpose of discovering information that is technological in nature and the application of which is intended to be useful in the development of a new or improved business component and in which substantially all activities constitute elements of a process of experimentation related to new or improved function, performance, reliability or quality, but not related to style, taste, cosmetic or seasonal design factors.

Qualified R&D small business means a business that:

1. Employs no more than 25 employees in any prior calendar month
2. Had total revenue of no more than \$5 million dollars in any prior fiscal year.
3. Did not in any prior calendar month have more than 50% of its voting securities or other equity interest with the right to designate or elect the board of directors or other governing body of the qualified business owned directly or indirectly by another business
4. Has made qualified research expenditures for the period of 12 calendar months ending with the month for which the credit is sought of at least 20% of its total expenditures for those 12 months.

[R & D Tax Credit Claim Form](#)

## Industry Specific

### Advanced Energy

#### **Advanced Energy Deduction and Advanced Energy Tax Credit**

Receipts from selling or leasing tangible personal property or services that are eligible generation plant costs to a person that holds an interest in a qualified generating facility are deductible from gross receipts and compensating tax. In addition, a taxpayer who holds an interest in a qualified generating facility in New Mexico that files a corporate income tax return may claim a credit for six percent (6%) of the eligible generation plant costs of a qualified facility.

[Application  
Claim Form](#)

## **Alternative Energy Product Manufacturer's Tax Credit**

Manufacturers of certain alternative energy products may receive a tax credit not to exceed five percent (5%) of qualified expenditures for purchase of manufacturing equipment used in the manufacturing operation. This credit is designed to stimulate the development of new alternative energy manufacturing facilities.

[Application  
Claim Form](#)

## **Biodiesel Blending Facility Tax Credit**

An operator of a refinery in New Mexico, any person who blends special fuel in New Mexico, or the owner of special fuel stored at a pipeline terminal in New Mexico, who installs biodiesel blending equipment for the purpose of establishing or expanding in a facility to produce blended biodiesel fuel is eligible to claim a credit against gross receipts tax or compensating tax. A certificate of eligibility must be obtained from the Energy, Minerals, and Natural Resources Department to apply for this credit. The credit is equal to 30% of the purchase cost of the equipment plus 30% of the cost of installing that equipment. The credit cannot exceed \$50,000 with respect to equipment installed at any one facility. The credit may be applied against the taxpayer's gross receipts tax liability or compensating tax liability. The credit may be carried forward for four years from the date of the certificate of eligibility.

[Credit Approval Request  
Claim Form](#)

## **Biomass-Related Equipment and Materials Deduction**

The value of equipment such as a boiler, turbine-generator, storage facility, feedstock processor, interconnection transformer or biomass material used for bio-power, bio-fuels, or bio-based products may be deducted in computing the compensating tax due.

## Renewable Energy Production Tax Credit

A corporate or personal taxpayer who owns a qualified energy generator is eligible for a tax credit in an amount equal to one cent (.01) per kilowatt hour of electricity produced by the qualified energy generator using a qualified energy resource in the tax year. A variable rate of credit is added for electricity produced using solar energy. The rate starts at 1.5 cents in the first year of operation and increases in increments of ½ cent each of the next five years, to a maximum of four cents, and then will decline by 1/2 cent per year in the next four years to two cents in the tenth year of operation. The one cent per kilowatt hour rate applies for all other qualified energy generation facilities. The facility must generate a minimum of one megawatt. The total amount of electricity that can qualify for the corporate and individual income tax credits is two million megawatts for wind and biomass with an additional 500,000 megawatt hours allowed for solar-generated power.

[Claim Form](#)

## Agriculture

### Agricultural Business Tax Deductions and Exemptions

1. 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
2. Warehousing, threshing, cleaning, harvesting, growing, cultivating or processing agricultural products including ginning cotton and testing and transporting milk
3. Feeding, pasturing, penning, handling or training livestock and, for agribusinesses, selling livestock, live poultry and unprocessed agricultural products, hides and pelts
4. Fifty percent (50%) of receipts from selling agricultural implements, farm tractors or vehicles
5. 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. A person engaged in the business of ranching or farming, including dairy farmers
  - b. 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

# Aerospace and Aviation

## Aircraft Deductions

- Receipts from selling aircraft parts or maintenance services for aircraft or aircraft parts
  - 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

## Military Acquisition Program Tax Deduction

Receipts from transformational acquisition programs performing research and development, testing, and evaluation at New Mexico major range and test facility bases pursuant to contracts entered into with the U. S. Department of Defense may be deducted from gross receipts.

## Research and Development Tax Deduction

Aerospace services are the research and development services sold or for resale to an organization for resale by the organization to the U.S. Air Force. When R&D services are sold to Phillips Laboratory for resale to the Air Force, the seller's receipts are deductible. If the R&D services are sold to an intermediary for resale to Phillips Laboratory for resale to the Air Force, those receipts are also deductible.

## Space Gross Receipts Tax Deductions

There are four separate deductions connected with the operation of a spaceport in New Mexico. The four deductions are:

1. Receipts from launching, operating or recovering space vehicles or payloads
2. Receipts from preparing a payload in New Mexico
3. Receipts from operating a spaceport in New Mexico
4. Receipts from the provision of research, development, testing and evaluation services for the United States Air Force Operationally Responsive Space Program

“Space” is defined as any location beyond altitudes of 60,000 feet above mean sea level. “Payload” means a system, subsystem or other mechanical structure designed and constructed to perform a function in space. “Space operations” is defined as the process of commanding and controlling



payloads in space. "Spaceport" is defined as the installation and related facilities used for the launching, landing, operating, recovering, servicing and monitoring of vehicles capable of entering or returning from space.

## Other

### **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.

### **Financial Management Tax Credit**

Receipts from fees received for performing management or investment advisory services for a related mutual fund, hedge fund or real estate investment trust may be deducted from gross receipts.

### **Locomotive Fuel Gross Receipts & Compensating Tax Exemption**

Receipts from the sale of fuel to a common carrier to be loaded or used in a locomotive engine may be deducted from the gross receipts and the value of fuel sold to a common carrier to be loaded or used in a locomotive engine may be deducted in computing the compensating tax. "Locomotive engine" is defined as a wheeled vehicle consisting of a self-propelled engine that is used to draw trains along railway tracks. To be eligible, the fuel sold must be used or loaded by a common carrier that: (1) after July 1, 2011, made a capital investment of one hundred million dollars (\$100,000,000) or more in new construction or renovations at the railroad locomotive refueling facility in which the fuel is loaded or used; or (2) on or after July 1, 2012, made a capital investment of fifty million dollars (\$50,000,000) or more in new railroad infrastructure improvements, including railroad facilities, track, signals and supporting railroad network, located in New Mexico; provided that the new railroad infrastructure improvements are not required by a regulatory agency to correct problems, such as regular or preventive maintenance, specifically identified by that agency as requiring necessary corrective action.

## **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.

## **Web Hosting Gross Receipts Tax Deduction**

Receipts from hosting World Wide Web sites may be deducted from gross receipts. Hosting means storing information on computers attached to the internet.