



# **NEW MEXICO**

*Land of Enchantment*

## **BUSINESS DEVELOPMENT INCENTIVES**

**NEW MEXICO OFFERS A UNIQUE QUALITY OF LIFE: A BLEND OF RICH, ANCIENT CULTURES, AN ARTIST'S COLONY THAT DATES BACK THOUSANDS OF YEARS, AND A MYRIAD OF YEAR-ROUND OUTDOOR ACTIVITIES.** It is the fifth largest state geographically, with a population of less than two million. It is the only state in the nation with the research capacity of two national science laboratories. It will soon be home to the world's first purpose-built commercial spaceport. *New Mexico is unique, affordable and business-friendly.*

### **LEADERSHIP COMMITMENT:**

In Governor Richardson's months of office he worked with the New Mexico Legislature to make sweeping changes in the State's tax policy and enact new incentives to stimulate more economic growth. The maximum personal income tax rate has been phased down from 7.7 percent to 4.9 percent. Capital gains taxes were reduced by fifty percent. A high wage jobs tax credit was created. A rural jobs tax credit was extended. Several incentives have been created to expand growing industrial clusters in the State.

New Mexico's economy is strong and the State's leadership remains committed to continued economic growth and prosperity for all who choose to call the Land of Enchantment home.

### **GENERAL BUSINESS INCENTIVES**

#### *High Wage Jobs Tax Credit*

Eligible employers may receive a tax credit for each new high-wage job created (pays at least \$28,000 in communities with a population of less than 40,000 or at least \$40,000 in communities with a population exceeding 40,000). The credit equals ten percent of the wages and benefits paid for each new job and may be taken up to four years.

#### *Rural Jobs Tax Credit*

Eligible employers may receive a tax credit of 6.25 percent of the first \$16,000 in wages paid for a qualifying job. The credit may be taken for up to four years depending on the size of the rural community where the business is located.

#### *Welfare-to-Work Tax Credit*

The credit equals 50% of the federal welfare-to-work credit for which the employer is eligible, up to \$1,750 for the first year of employment, increasing to \$2,500 for the sec-





ond year. The state credit piggybacks on the federal credit of the same name and can be applied to New Mexico personal or corporate income tax.

### ***Community Development Incentive Act (Property Tax Exemption)***

Municipalities and counties may exempt commercial personal property of a *new business facility* from property tax for up to 20 years.

### ***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.

### ***Cultural Property Preservation Tax Credit***

Taxpayers may take this credit on corporate or personal income tax returns for restoring, rehabilitating or preserving properties listed on the New Mexico Register of Cultural Properties.

### ***Texas/Mexico Border Resident's Tax Exemption***

Non-resident employees of manufacturing facilities physically located within 20 miles of the Mexican border may allocate their compensation to their home state and avoid paying New Mexico's personal income tax.

### ***Fee-Free Zones Near the Mexican Border***

Commercial motor carriers operating exclusively within ten miles of the border with Mexico, in conjunction with crossing the border with Mexico, are exempted from the trip and weight distance taxes associated with the use of New Mexico highways.

## **AEROSPACE**

### ***Aircraft Manufacturing Tax Deduction***

Receipts of an aircraft manufacturer or affiliate from selling aircraft or aircraft parts, or from selling services performed on aircraft

or aircraft components or from selling aircraft flight support, pilot training or maintenance training services may be deducted from gross receipts.

### ***Aircraft Maintenance or Remodeling Tax Deduction***

These items may be deducted from gross receipts:

- Receipts of an aircraft manufacturer or affiliate from selling aircraft or aircraft parts
- Receipts from selling services performed on aircraft or aircraft components
- Receipts from selling aircraft flight support, pilot training or maintenance training services

### ***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

## **AGRI-BUSINESS**

### ***Agricultural Business Tax Deductions and Exemptions***

Gross receipts tax deductions are available for selling to agribusinesses:

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. Gross receipts tax exemptions are permitted for feeding,

pasturing, penning, handling or training livestock and, for agribusinesses, selling livestock, live poultry and unprocessed agricultural products, hides and pelts.

## **CLEAN ENERGY**

### *Advanced Energy Tax Credits*

Advanced energy facilities, such as solar thermal electric generating, advanced technology coal generating or recycled energy, may qualify for up to \$60 million in credits. The credit is equal to 6 percent of facility development and construction expenditures.

### *Alternative Energy Product Manufacturers Tax Credit*

Manufacturers of electric or hybrid vehicles, fuel cell systems, renewable energy systems, IGCC systems, and carbon sequestration equipment may receive for a tax credit of up to 5 percent of their capital expenses.

### *Bio Fuels Production and Sales Tax Incentive*

This incentive provides a tax credit on blended biodiesel fuels (a minimum of 2 percent biodiesel). Gross receipts and compensating tax may be deducted for installing biodiesel blending infrastructure up to \$50,000 per facility or \$1 million per year.

### *Hybrid Vehicle Tax Exemption*

Purchasers of hybrid gasoline-electric vehicles with an EPA fuel economy rating of 27.5 miles per gallon or better can save between \$600 and \$1,000 in-state tax savings in addition to the federal tax deduction.

### *Renewable Energy Production Tax Credit*

Each renewable energy generator of one megawatt or more may earn an income tax credit (personal or corporate) of 2.7 cents (on average) per kilowatt-hour for the first four hundred thousand megawatt-hours (=400,000,000 kilowatts) of electricity produced for ten consecutive years, beginning with the first year of production. This credit is fully refundable.

### *Solar Energy Systems Gross Receipts Tax Exemption*

Power produced from solar electric and solar thermal energy systems is exempt from gross receipts tax when the generated power is used on-site.

### *Solar Market Development Income Tax Credit*

New Mexico's credit augments the federal solar tax credit by reimbursing up to 30 percent of the cost of a solar photovoltaic or solar thermal system. Solar system owners can receive up to \$2,000 federal solar tax credits and up to \$9,000 in state solar tax credits.

### *Sustainable Building Tax Credit*

Homes which are 40 percent more energy efficient than the standard building code and commercial and institutional buildings which are at least 50 percent more energy efficient may qualify for a tax credit. As an example, a LEED-H Silver certified 2000 square foot home that is at least 40 percent more energy efficient than a home built to the standard building code can receive a \$10,000 state tax credit.

## **DEPARTMENT OF DEFENSE CONTRACTORS**

### *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 & 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.



## **DISTILLING AND BREWING**

### *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.

## **FINANCIAL SERVICES**

### *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.

## **MANUFACTURING**

### *Double Weight Sales Factor*

A corporation (or family of corporations filing together) 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 3 factors (sales, payroll and property) have equal weight (33.33% each) in the formula.

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

Manufacturers may take a credit against gross receipts, compensating or withholding taxes equal to 5% 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.

## **RAILROADS**

### *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 are exempted from the gross receipts and compensating taxes. "Locomotive engine" is defined as a wheeled vehicle consisting of a self-propelled engine that is used to draw trains along railway tracks.

## **TECHNOLOGY-INTENSIVE COMPANIES**

### *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. Two qualified investments may be made in a taxable year and the credit may be carried forward for 3 consecutive 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, compensating taxes or withholding taxes due to the state for up to 3 years.

### *Research & Development 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.

### *Rural Software Development Gross Receipts Tax Deduction*

A taxpayer whose primary business is providing software development services and who had no business location in New Mexico other than in a qualified area during the period for which a deduction under this section is sought may take a gross receipts tax deduction. The company must be established after July 1, 2002.

### *Technology Jobs Tax Credit*

This is a two-part credit, each part equal to 4% of the qualified expenditures on qualified research at a qualified facility. The credit amount doubles for expenditures in facilities located in rural New Mexico. The credit is taken against the firm's gross receipts, compensating and withholding taxes until the credit is exhausted. The additional credit is earned when the company increases its payroll.

### *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.

## **TELEMARKETING**

### *Telemarketing Gross Receipts Tax Exemption*

Receipts from WATS (Wide Area Telephone Service) and private communications services are exempted from gross receipts tax and interstate telecommunications gross receipts tax act.

## **TRIBAL LAND**

### *Intergovernmental Business Tax Credit*

A corporation engaged in growing, processing or manufacturing may receive a credit for up to 50% of the total of all taxes imposed by an Indian nation, tribe or pueblo located wholly or partly in New Mexico on income derived from new business activity on Indian land.



1100 St. Francis Dr. Santa Fe, NM 87505-4147  
505.827.0300 800.374.3061 FAX: 505.827.0328 [www.goNM.biz](http://www.goNM.biz)