

# Incentives

## Statewide Incentives & Tax Credits

In New Mexico, state incentives that are not industry specific are driven by job creation, location of the business, and capital investment on behalf of the company. Each of the incentives below will vary in application due to these factors.

### **Job Training Incentive Program (JTIP)**

This program funds on-the-job and classroom training for newly created jobs in qualified expanding or relocating businesses for up to six months. The program reimburses a portion of employee wages. Custom training at a New Mexico public educational institution is also available through this program. Reimbursements can be as high as 70 percent for six months depending on location within Doña Ana County and the wages paid.

### **High Wage Jobs Tax Credit**

This credit gives companies who hire employees at salaries of \$28,000 or higher in rural areas (\$40,000 or higher within Las Cruces), a deduction of the state's portion of gross receipts tax, compensating tax, or withholding taxes, equal to 10 percent of the combined salary and benefits package for the year in which the job is created. This credit can be used for 4 years.

### **Rural Jobs Tax Credit**

This credit can be applied to taxes due on (state) gross receipts, corporate income, or personal income tax. Designed to spur job creation within rural areas, companies may only claim this when they operate anywhere within Doña Ana County that is outside the City of Las Cruces limits. The tax credit amounts to 25 percent of the first \$16,000 in wages paid per job, and can be claimed for 4 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 4 percent of qualified expenditures, and an additional 4 percent credit toward income tax liability by raising its in-state payroll \$75,000 for every \$1 million in qualified expenditures claimed. 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.

### **Manufacturer's Investment Tax Credit**

Manufacturers may take a tax credit of 5 percent of the value of qualified equipment and other property used in their operation. The credit can be applied against compensating, gross receipts or withholding tax up to 85% of the total. Any remaining available credit may be claimed in subsequent reporting periods. To claim the tax credit, the company must hire 1 employee for every \$500,000 investment to a total of \$30 million. Thereafter, every \$1 million investment must be accompanied with 1 new employee.

## Local Incentives

Similar to statewide incentives, our local incentives vary by location, and this will influence the scope of the sum total of these incentives.

### **Industrial Revenue Bonds**

In New Mexico, there are two versions to this incentive that Doña Ana County and the City of Las Cruces have employed to secure business growth and development. The first (IRB) exempts a substantial portion of a company's property taxes on land, buildings, and equipment (real property) and compensating taxes. This option typically abates 50 percent of taxes under a 20-year agreement and 75 percent under a 30-year agreement. The second (IRB Lite) is made applicable by the Community Development Incentive Act and allows for the exemption of personal property taxes when no real property is involved. These investments are typically smaller in value than an IRB, and this option is available for up to 20 years.

### Local Economic Development Act (LEDA)

This local initiative grants Doña Ana County and the City of Las Cruces the ability to trade land for job creation. The land traded must be owned by that municipality. In some cases, however, the local municipalities have considered land trades with private property owners to free up adjacent land to company properties for purposes of their location or expansion and then provided that land in trade for the company's jobs count expansion.

The state of New Mexico has a "closing fund" of approximately \$3 million available (FY14) at the discretion of the Secretary for Economic Development that can also be used under the LEDA umbrella. The City of Las Cruces has used their LEDA to waive permit fees for qualifying companies. On average, permit fees can account for up to 4 percent of total construction costs. This incentive can result in large front-end savings.

### New Market Tax Credits (NMTC)

These loan funds are available for up to 25 percent of a total project in specific areas. NMTC funds are combined with traditional sources of lending to achieve lower interest rates for various financing options.

### EB-5 Investor Visa Program Regional Center

The EB-5 program allows for qualified international investors to receive permanent U.S. residency by contributing a minimum of \$500,000 in local development projects that must create or retain at least 10 full-time jobs per investor. Pending expected approval by USCIS in November/December 2013, Doña Ana County will have its first regional center for management of the investments by the end of the calendar year.

### Wage+ Program

Available only to companies located within Las Cruces city limits, this incentive is modeled after New Mexico's Job Training Incentive Program. To qualify, a company must first be eligible under the City's Local Economic Development Act and complete the state's JTIP program. Once completed, the positions that pay 10 percent above the median wage are eligible for additional cash reimbursements under this program.

### Example of Total Incentives Package

The following example assumes a company is located outside of the City of Las Cruces and successfully completes the JTIP program. These numbers are examples only and will vary according to a company's specific expansion plans within any community in Doña Ana County.

INCENTIVE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL NOMINAL VALUE
<b>Number of Employees Hired</b>	<b>24</b>	<b>12</b>	<b>12</b>	<b>11</b>	<b>0</b>	
<i>Production Line Workers</i>	20	10	10	10	0	
<i>First Line Supervisors</i>	2	1	1	1	0	
<i>10 Percent Rule/High Wage Workers</i>	2	1	1	0	0	
Job Training Reimbursement (JTIP)	\$67,080	\$33,540	\$33,540	\$14,040	\$0	\$148,200
High Wage Jobs Tax Credit	\$12,480	\$18,720	\$24,960	\$24,960	\$12,480	\$99,840
Rural Jobs Tax Credit	\$24,000	\$36,000	\$48,000	\$59,000	\$35,000	\$236,000
Industrial Revenue Bond	\$32,380	\$32,704	\$33,031	\$33,361	\$33,695	\$712,975
IRB Lite	\$9,714	\$8,326	\$6,939	\$5,551	\$4,163	\$38,856
<b>TOTAL</b>	<b>\$145,654</b>	<b>\$129,290</b>	<b>\$146,470</b>	<b>\$136,912</b>	<b>\$85,338</b>	<b>\$1,235,871</b>

**The Mesilla Valley Economic Development Alliance specializes in developing customized incentive analyses for the benefit of any company wishing to expand within Doña Ana County.**