

PROGRAM: New Mexico Investment Credit Act **Industry Specific Incentive**

AGENCY: New Mexico Taxation and Revenue Department

DESCRIPTION: It is the purpose of the Investment Credit Act [Chapter 7, Article 9A NMSA 1978] to provide a favorable tax climate for manufacturing businesses and to promote increased employment in New Mexico. The Investment Credit Act was introduced as a way to offset the compensating tax due on the importation of manufacturing equipment to promote expansion of manufacturing operations in New Mexico. The program has evolved to provide a more general incentive for manufacturers to locate in New Mexico and to hire New Mexicans.

ELIGIBLE USES:

- Equipment is eligible if essential, used directly and exclusively in a manufacturing facility, and depreciated for federal income tax purposes. Vehicles are specifically excluded.
- Equipment is valued at the adjusted basis established for federal income tax purposes at the time the equipment is introduced.
- The creation of new, full time jobs is required to qualify for the credit:
 - For investments up to \$30 million - one full time job for every \$500,000 increment of investment; and
 - For investments over \$30 million - one full time job for every \$1 million increment of investment.
- After June 30, 2011, for every one hundred thousand dollars (\$100,000) in value of qualified equipment claimed by a taxpayer in a taxable year, the taxpayer shall employ the equivalent of one full-time employee in addition to the number of full-time employees employed on the day one year prior to the day on which the taxpayer applies for credit.

PROGRAM/LOAN STRUCTURE:

- **Maximum Program Benefits:** The credit allows the manufacturer to offset the amount of compensating tax paid on eligible equipment. The credit equals the amount of compensating tax actually paid, and may be applied against compensating tax, gross receipts tax or withholding tax due.
- **Rates:** The compensating tax rate is 5%.

QUALIFICATION CRITERIA/COMMENTS:

- Manufacturers only can qualify. Manufacturing means combining or processing components or materials to increase their value for sale in the ordinary course of business. This specifically excludes construction, farming, power generation and processing natural resources, though includes geothermal.
- There are two steps in claiming the credit:
 - (1) Submit an application to the Taxation and Revenue Department on Form INVCR-1. Once the application is received, the amount of credit will be established; and
 - (2) The credit is applied against the combined compensating, gross receipts (state only) and withholding taxes reportable in periods after approval.
- The taxpayer has until the end of the year following the year in which the qualified equipment was introduced in New Mexico to claim the credit. If the full amount of the credit cannot be used in the first year, the credit may be carried forward to future years until the credit is fully utilized.
- **Equipment** not previously used in New Mexico and not previously approved for a credit under the Investment Credit Act [Chapter 7, Article 9A NMSA 1978] that is owned by the taxpayer or owned

by the United States or an agency or instrumentality thereof or the state or a political subdivision thereof and leased or subleased to the taxpayer, and any equipment that is placed into service on or after January 1, 1991, under the provisions of either the Industrial Revenue Bond Act [Chapter 3, Article 32 NMSA 1978] or the County Industrial Revenue Bond Act [Chapter 4, Article 59 NMSA 1978] and that otherwise meets the requirements of the Investment Credit Act is **qualified equipment**.

- Tangible personal property which is not a machine, mechanism or tool, or a component or fitting thereof, is **not "equipment"** for the purpose of the Investment Credit Act [Chapter 7, Article 9A NMSA 1978]. Accordingly such items as furniture, shelving and supplies are not "equipment". Equipment that is neither essential to nor used in conjunction with the manufacturing plant will not qualify for the investment credit, even if that equipment is physically located in the plant. **Nonqualifying equipment** may include, but is not limited to: coffee makers, kitchen equipment used in an employee cafeteria and televisions or radios used in an employee lounge or in a reception area. **See 7-9A-1 through 7-9A-11 NMSA**
- Visit the Taxation and Revenue Department homepage at <http://www.state.nm.us/tax/home.htm> or find paperwork and applications at <http://www.state.nm.us/tax/BizPge.htm> .
- Call the office of the Secretary at (505)827-0341.