

## **Village of Bosque Farms Economic Development Plan**

### **Annex A**

#### **Business Incentives and Financial Support Programs**

The Village of Bosque Farms Economic Development Plan includes a broad array of incentives available to businesses investing in Bosque Farms, New Mexico. The starting point is the incentives that the Village controls and can apply directly to the business. There are also a diverse set of incentives, both at the State and Federal level that encourage and reward businesses based on the economic value they bring to the community, the nature of the business, and several that are unique to rural communities, such as Bosque Farms, NM. The exact structure of the incentives provided in an economic development project by the Village will depend on the requirements of the project and the Return on Investment determined in the required Cost Benefit Analysis.

#### ***Village of Bosque Farms Incentives***

***WAIVER/EXEMPTION OF LOCAL FEES AND TAXES*** – The Village can negotiate waivers, exemptions, or reduced rates on local business license fees, and development application fees and the Local share of the NMGRT.

#### ***WAIVER/EXEMPTION OF UTILITY COSTS***

The Village can negotiate waivers, exemptions, or reduced rates on local business water and sewer utility installation fees and water and sewer services.

***SPECIAL USE PERMITS AND VARIANCES ON EXISTING ORDINANCES*** – The Village has the authority to negotiate special use permits and variances on existing planning and zoning ordinances if the business use is an integral part of an approved economic development project and is consistent with guidelines and objectives of the Village Comprehensive Master Plan.

***DEVELOPMENT INCENTIVE ACT*** - New Mexico State law allows a local government the size of the Village of Bosque Farms to exempt a company from personal property taxation for up to 50% of the rate imposed, for a period of up to five years, for the purpose of job creation. The only portion of the property tax levy not exempted is that imposed by the local school district.

***LOCAL ECONOMIC DEVELOPMENT ACT*** - The Local Economic Development Act provides local governments with an avenue to finance economic development projects. The projects may include the purchase of land, buildings, and infrastructure defined by the local economic development plan. The economic development projects may be financed by the following two methods:

- Five percent of the general fund of a municipality or county.
- Increasing the local gross receipts tax up to 1/8 of one percent.

**INDUSTRIAL REVENUE BONDS** - There are two types of Industrial Revenue Bonds (IRBS) in New Mexico: tax exempt IRBs and taxable IRBs. Both types can exempt up to 100% of property taxes. Industrial Revenue Bonds (IRBs) in New Mexico are not used as a financing tool, but rather as a tool to accomplish tax exemption. The exemption is achieved because legally the plant is city or county owned. The company makes lease payments to a bond trustee, who acts as a third party and uses the money to pay off the bonds. The exemption is in effect for the duration of the lease payments. Many companies expanding or coming to New Mexico have used this exemption program. Intel, for instance, received a record \$8 billion in IRBs. Taxable IRBs are not subject to IRS regulations or state caps. The primary advantages of IRBs include:

- The exemption of *ad valorem* property taxes for the term of the bond.
- The exemption of gross receipts (5%) and compensating tax (5%).
- Tax-free bonds have lower interest rates than taxable bonds.

### *New Mexico State Incentives*

The State of New Mexico has developed an aggressive array of economic development incentives. Details on each can be found on the NMEDD Web site (<http://www1.edd.state.nm.us/index.php?/business/category/Incentives%20and%20Programs/>)

**INVESTMENT TAX CREDIT** -An investment credit can be applied to the purchase of qualified equipment used in a manufacturing operation in New Mexico. This credit does not require Industrial Revenue Bonds and can be used in conjunction with the gross receipts tax exemption for IRBs. Manufacturers must meet the criteria for new jobs to receive the credit.

**RURAL JOBS TAX CREDIT** - Employers in "rural areas" [the Village of Bosque Farms qualifies] are entitled to a modified combined, personal or corporate income tax credit when expanding their work force. The maximum credit is \$4,000 per job created in a Tier One area (population of 15,000 or less) and \$2,000 per job created in a Tier Two area (population over 15,000 but still rural). Only companies that qualify for the Industrial Development Training Program are eligible for this credit. The credit may be carried forward for up to three years and may be sold, exchanged, or transferred.

**TECHNOLOGY JOBS TAX CREDIT** - The purpose of the "Technology Jobs Tax Credit Act is to provide a favorable tax climate for technology-based businesses engaging in research, development, and experimentation. There are two types of credits, a "basic credit" and an "additional credit." The tax credits for rural areas are doubled.

The basic credit is equal to 4% of allocable expenditures made after July 2000 related to qualified research at a qualified New Mexico facility for depreciable land, rent, buildings, equipment, computer software and upgrades, technical books and manuals, test materials, consultants, and subcontractors performing work in New Mexico. The credit may be taken against gross receipts tax, compensating tax or state payroll tax.

## Annex A – Incentives Programs

The additional credit is equal to the credit established for the basic credit that may be applied to state tax. However, the credit would require the taxpayer to increase its base payroll expense by \$75,000 for every \$1 million of investment for which the credit is claimed. For example: For every increase in payroll of \$75,000 the company is entitled to an additional credit of \$40,000.

**RESEARCH AND DEVELOPMENT TAX REDUCTION** - Research and development services produced by a business with a New Mexico office but sold for initial use to an out-of-state buyer and delivered out-of-state, are not charged gross receipts tax. For a company engaged in R&D, the tax savings is the state gross receipts tax of 5%.

**CHILD CARE INCOME TAX CREDIT** - New Mexico tax law provides for a corporate income tax credit of up to 30% of eligible expenses (up to \$30,000 a year), for dependent children of employees. For a company operating a value-added day care center for its employees, this reduces its cost to the employees of the organization.

**CAPITAL EQUIPMENT TAX CREDIT** - The Capital Equipment Tax Credit Act provides an inducement for in-coming call center operations to make major expansions and relocate facilities in rural New Mexico. Bosque Farms qualifies as a rural community. This legislation provides tax relief on the purchase of capital equipment for such facilities. The credit allows for a gross receipts and compensating tax credit equal to the state-imposed rate of 5%. Qualified equipment is defined as equipment that is depreciable for federal income tax purposes.

**JOB TRAINING INCENTIVE PROGRAM** - New Mexico has one of the most aggressive training incentive packages in the country. The Job Training Incentive Program (JTIP) funds classroom and on-the-job-training for newly created jobs in expanding or relocating businesses for up to six months. The program reimburses 50 to 70 percent of employee wages and required travel expenses. Custom training at a New Mexico public educational institution may also be covered.

The New Mexico State Legislature created the Job Training Incentive Program, formerly known as the Industrial Development Training Program or “in plant training,” in 1972. Since that time, the program has funded training for more than 35,000 workers in more than 600 companies.

**INTERSTATE WATS TAX EXEMPTION** - New Mexico State law provides for an exemption from interstate telecommunications gross receipts taxes (sales taxes) of 4.25% for receipts from the provision of wide-area telephone service (WATS) and private communication services. Private communications services are defined as dedicated service for individual customers entitled to exclusive or priority use of communication channels between a location within New Mexico and one or more locations outside the state.

**EXPAND RENEWABLE ENERGY PRODUCTION TAX CREDIT** --expands criteria for eligibility for the Renewable Energy Production Tax Credit (Section 7-2A- 19, NM Statutes Annotated); allows a corporate taxpayer that is a member of a partnership which

collectively has at least a 5% ownership interest in a qualified energy generator (e.g., wind farm) to be allocated all or a portion of the right to claim the Production Tax Credit.

***Federal Incentives***

***WELFARE-TO-WORK (WTW) OPPORTUNITY TAX CREDIT*** - Employers may receive federal tax credits for each qualified WTW individual employed. The WTW Tax Credit extends over a 2-year period. The maximum credit may equal \$8,500 per employee.

***QUALIFIED BUSINESS FACILITY REHABILITATION CREDIT*** - This credit may be taken against corporate income tax (or personal income tax) for the restoration, rehabilitation, or renovation of a qualified business facility in an enterprise zone. A qualified business facility is a building that has been vacant for at least 24 months and will be put into use by a person in the manufacturing, distribution, or service industries. The credit is equal to 50% of the project cost, up to a maximum of \$50,000.

***RURAL DEVELOPMENT BUSINESS AND INDUSTRY LOAN PROGRAM*** - Guarantee of loans made by financial institutions to start-up and expanding businesses in rural areas. Eligible uses of funds include real estate, fixed assets, working capital and pollution control. Guarantees range from 70% to 90% for loans up to \$10 million.

***RURAL DEVELOPMENT BUSINESS ENTERPRISE GRANT PROGRAM*** - Rural Development may provide funding to a local government or private nonprofit corporation to facilitate the development of small and emerging private business enterprises. Eligible uses of funds include acquisition and development of land; construction of buildings; purchase of equipment; working capital; as well as infrastructure improvements. Provides project funding in the form of a grant.

***SMALL BUSINESS ADMINISTRATION 7(A) PROGRAM*** - The SBA 7(a) loan guarantee program provides guarantees of loans made by lenders. The program provides a maximum 80% guarantee on fixed or variable rate loans for land, buildings, equipment and working capital. This program is available to start-up, existing and expanding businesses.

***SMALL BUSINESS ADMINISTRATION 504 PROGRAM*** - The SBA 504 loan program provides long-term (up to 20 years), low down payment (10%), fixed rate loans for land, buildings and equipment. This program is most appropriate for existing and expanding businesses. It has been used in New Mexico in conjunction with industrial revenue bonds.