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How Business Fared in the Roundhouse This Year

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GUEST COMMENTARY: The 60-day legislative session, which concluded on Saturday, was one of the better sessions for the state's business community in recent years.

ACI was successful in negotiating comprehensive legislation pertaining to the state's unemployment insurance system. Over the past year, ACI has worked with Representative **Mimi Stewart**, the New Mexico Department of Labor and advocacy groups to craft legislation that provides an unemployment tax rate reduction for businesses and modest benefit increases for workers. Legislation approved makes permanent a tax rate reduction agreed to three years ago. The legislation creates tax schedule zero, thereby reducing employer taxes, and reduces the new employer tax rate from 2.7 percent to 2 percent. New Mexico businesses will save over \$30 million.

The Legislature approved tax cuts of \$94 million targeted at lower- and middle-income families. The Legislature also removed the state income tax from active-duty military salaries. In 2003, the top marginal personal income tax rate was cut from 8.2 percent to 4.9 percent over a six-year period. The current rate is 5.3 percent and the final reduction to 4.9 percent takes place in 2008.

The session was very positive for economic development. The New Mexico Economic Development Partnership, the mission of which is to attract out-of-state businesses to move to New Mexico, received \$1.45 million. The budget for the state's Economic Development Cooperative Advertising Program, which provides matching grants for local communities, was increased from \$200,000 to \$425,000.

After several years of intense lobbying by the business community, the Legislature approved an Angel Investment Credit. The legislation provides an income tax credit for individuals who invest cash for equity in qualified New Mexico businesses that engage in high-technology research or manufacturing activities in New Mexico. The credit is designed to encourage New Mexicans to invest in early-stage local companies that will add new jobs and tax revenues for New Mexico and create a new form of risk capital for aspiring New Mexico entrepreneurs.

The highly successful Job Training Incentive Program received \$8 million in additional funding. This program provides training and education for New Mexico residents, and it is a key component of the state's package of incentives that lure new businesses to the state and encourage expansion of existing businesses.

Economic development incentives approved include extension of the high-wage jobs tax credit; an advanced energy-products manufacturers credit; gross receipts tax deduction for aircraft manufacturers; tax reduction for financial management companies; rural jobs tax credit; tax increment financing for Mesa del Sol; tax credits for renewable energy; and increased state permanent fund investments in the film industry.

The state's business community and legislative and executive branch worked closely together to craft limited and carefully targeted incentives that focus on key industries and entrepreneurs to stimulate high-paying jobs and grow the state's economy.

ACI and other business groups, including the Greater Albuquerque Chamber of Commerce and the New Mexico Business Roundtable for Educational Excellence, successfully lobbied for measures that improve the state's education system. Legislation was approved that increases the number of math and science requirements for high school students; increases overall graduation requirements; and raises the drop-out age. A new cyberacademy for distance learning was approved, and new legislation raises the percentage of state lottery revenues earmarked for college scholarships.

The Legislature approved two memorials crafted by ACI that create task forces to make recommendations on regulatory change. ACI is engaged in a long-term effort to persuade the Legislature to implement a system in state governmental regulatory agencies that ensures confidence, accountability and consistency in administrative decision-making. Necessary legislation includes uniformity in administrative procedures across all state government agencies.

The business community enjoyed only modest success with ethics changes. Bills reducing gifts to public officials and extending jurisdiction of the Governmental Conduct Act to the judicial branch were approved. But bills creating an independent ethics commission and establishing political contribution limits failed.

ACI and other business groups were successful in defeating a local-option compensating tax, which would have resulted in increased taxes for New Mexico businesses purchasing goods out of state. Other bills defeated included an increase in corporate income taxes for many corporations doing business in New Mexico; prevailing wage bills unfairly tilted towards unions; and environmental and health care bills increasing burdens on business.