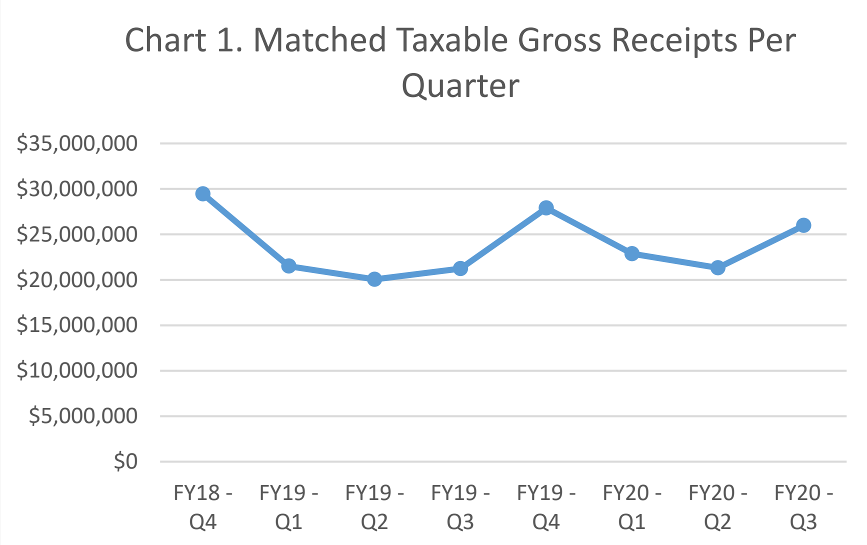
Quarterly Economic Summary

Guadalupe County

Released: May 2020

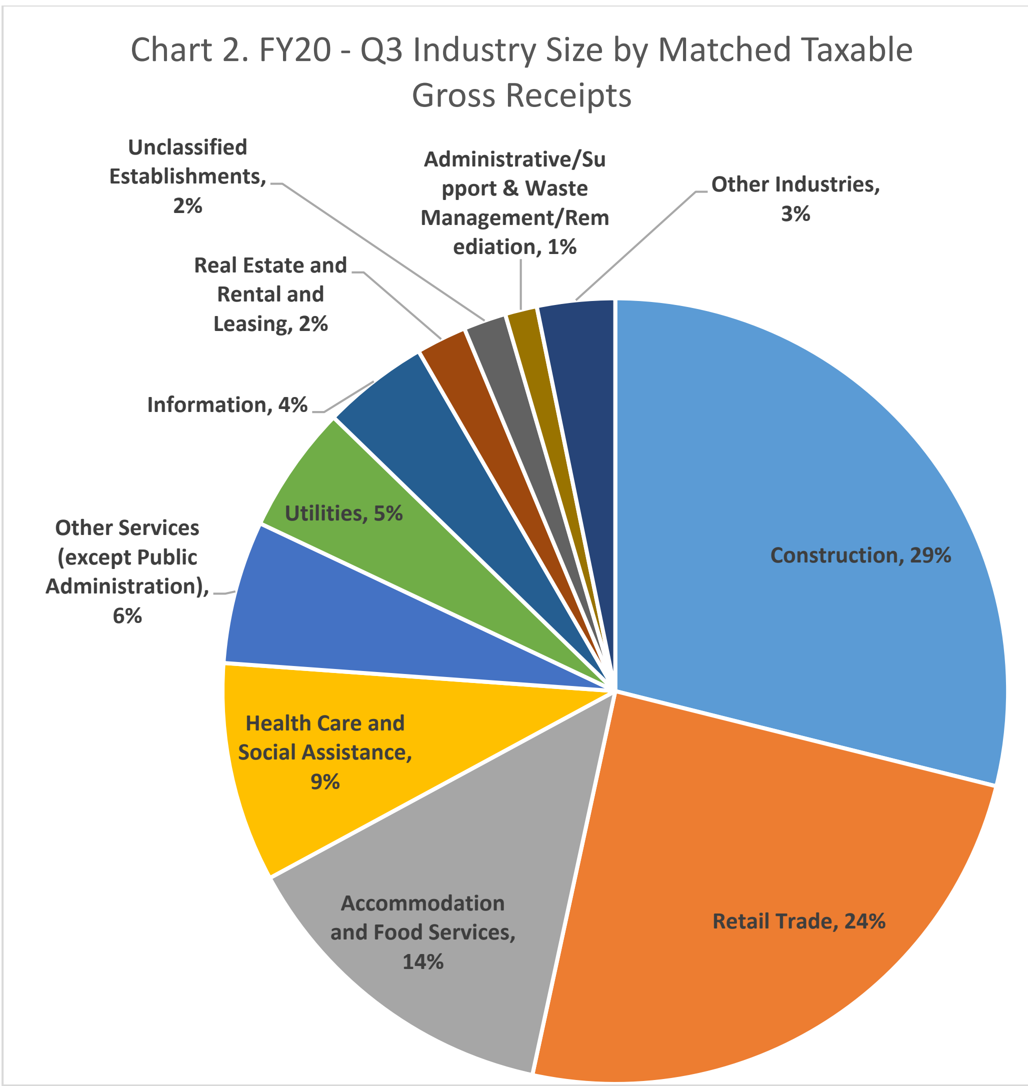
Prepared by: Joel Salas, Economist, and Ryan Eustice, Economist



Due to the necessity of the statewide business closure, which went into effect on March 24th, and the health and economic effects COVID-19 had since early March, matched taxable gross receipts and revenue collections may have declined in the third quarter of FY20. Most of the gross receipts tax decline is due to COVID-19 and the loss in business revenue, but potential delays in taxpayer reporting may add to the level of decline seen in the quarter. It is anticipated that the next quarter will have greater declines.

Guadalupe County has seen a spike in its matched taxable gross receipts (MTGR) from Q2 to Q3 in FY20, as seen in Chart 1. This spike is primarily due to the construction industry, which saw a $4.4M increase. The construction industry also had a year over year (YOY) growth, comparing Q3 FY19 and Q3 FY20, of $3.86M, as seen in Table 1 on the next page. Accommodation and food services saw the largest YOY decline of $661K with

Matched Taxable Gross Receipts (MTGR) is the best tax data available to show underlying economic activity. It matches a tax payment with reported receipts for each taxpayer, by industry.



Quarterly Economic Summary

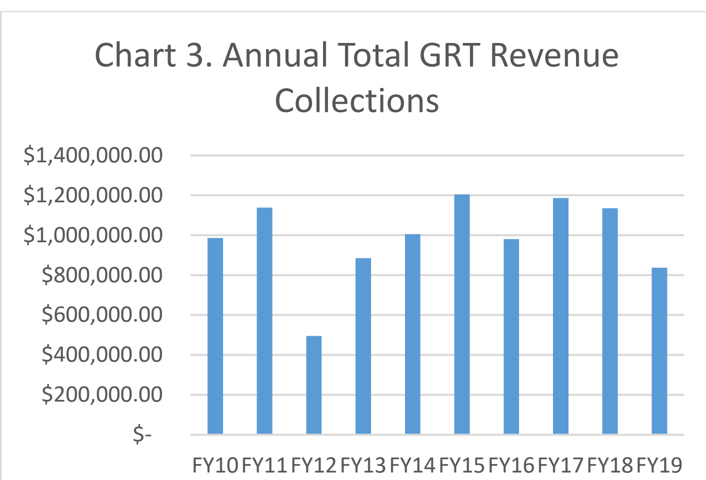
Guadalupe County

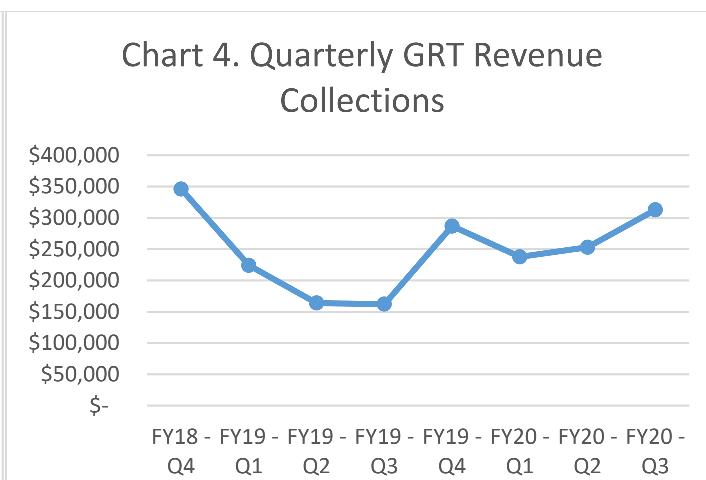
Table 1. Matched Taxable Gross Receipts by Industry

Industries	FY19 - Q3	FY20 - Q3	Growth	Year over year Change
Accommodation and Food Services	$ 4,224,479	$ 3,562,855	$ (661,624)	-16%
Administrative/Support & Waste Management/Remediation	$ 201,179	$ 341,472	$ 140,293	70%
Agriculture, Forestry, Fishing, and Hunting	$ -	$ 6,663	$ 6,663	N/A
Arts, Entertainment, and Recreation	$ -	$ -	$ -	N/A
Construction	$ 3,640,815	$ 7,503,080	$ 3,862,266	106%
Educational Services	$ -	$ 13,505	$ 13,505	N/A
Finance and Insurance	$ 31,518	$ 30,753	$ (765)	-2%
Health Care and Social Assistance	$ 1,087,324	$ 2,345,861	$ 1,258,538	116%
Information	$ 1,144,019	$ 1,137,657	$ (6,362)	-1%
Manufacturing	$ 130,698	$ 325,770	$ 195,073	149%
Mining, Quarrying, and Oil and Gas Extraction	$ -	$ -	$ -	N/A
Other Services (except Public Administration)	$ 1,565,527	$ 1,526,949	$ (38,578)	-2%
Professional, Scientific, and Technical Services	$ 194,780	$ 306,108	$ 111,328	57%
Public Administration	$ -	$ -	$ -	N/A
Real Estate and Rental and Leasing	$ 978,995	$ 538,270	$ (440,725)	-45%
Retail Trade	$ 6,371,147	$ 6,359,924	$ (11,223)	0%
Transportation and Warehousing	$ 17,053	$ 33,330	$ 16,277	95%
Unclassified Establishments	$ 71,292	$ 455,463	$ 384,170	539%
Utilities	$ 1,402,203	$ 1,362,659	$ (39,544)	-3%
Wholesale Trade	$ 167,324	$ 116,726	$ (50,598)	-30%
All Industries	**$ 21,228,352**	**$ 25,967,044**	**$ 4,738,692**	**22%**

Q3 ending at $3.6M. This is the lowest amount for this industry since Q3 FY16. Gross receipts tax (GRT) revenue collections rose significantly in Q3 FY20, as seen in Chart 4. This increase, which represents a 24% jump from Q2 to Q3 in FY20, is a three-quarter trend. The quarterly GRT collections, dating back to Q1 FY17, is downward trending.

HB6, passed in 2019, made widespread tax changes within New Mexico. One notable change is the conversion to destination-based sourcing that will begin after a two-year delay. During this delay, local governments will receive a distribution that is a portion of $2M each month. The portion distributed will be based on what the population of each county is to the total population of all counties, as per the most recent decennial census.





SOURCES: NEW MEXICO TAXATION AND REVENUE DEPT, NEW MEXICO DEPTARTMENT OF WORKFORCE SOLUTIONS, U.S. BUREAU OF LABOR AND STATISTICS, U.S. BUREAU OF ECONOMIC ANALYSIS AND EDD CALCULATIONS

Quarterly Economic Summary

Guadalupe County

Chart 5. Quarterly Average Total Employment & Weekly Wage

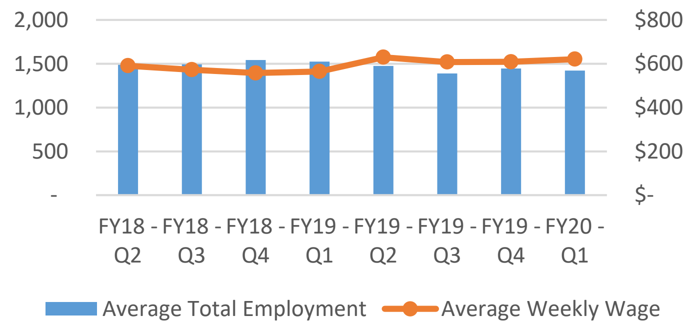
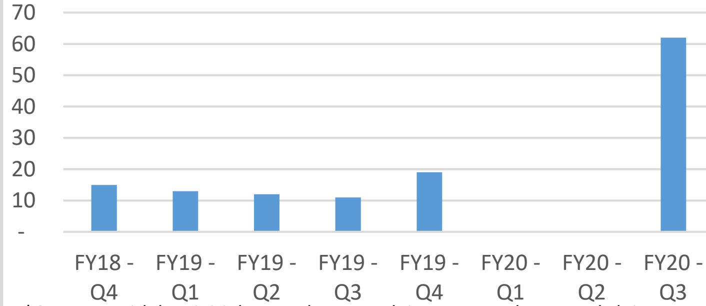


Chart 6. Quarterly Initial Unemployment Claims

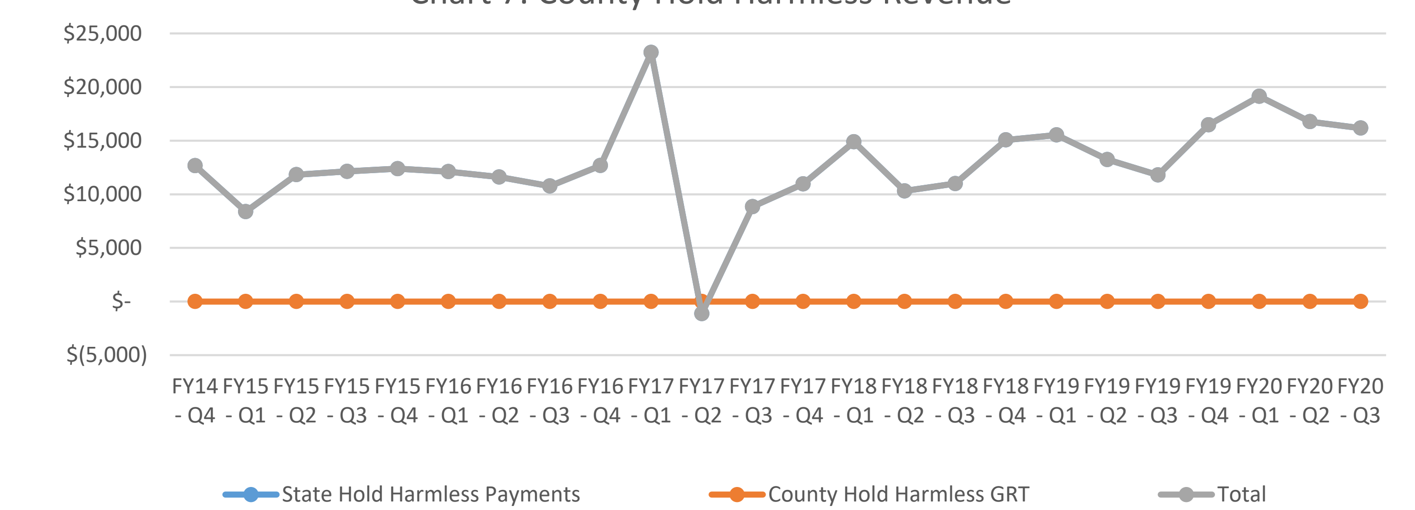


**Quarters with low initial unemployment claim amounts have total claims withheld to avoid disclosure of confidential information.*

The state makes "hold harmless" payments to local governments equal to the tax revenue that would have been generated if the state had not enacted deductions for food and healthcare practitioner services. These payments will be gradually phased out by 2029, but local governments were able to enact up to three 1/8% GRT increments to offset this loss. These GRT increments were repealed and consolidated in 2019 with a number of other restricted local options under the unrestricted countywide local option with an increased rate cap.

A significant unexplained increase in **Initial Unemployment Claims** can be an early indicator of an incoming economic downturn. Explained increases commonly include seasonal job fluctuations, government shutdowns resulting in mass employee furloughs and the closing of a major regional facility. The major uptick in the initial unemployment claims is directly tied to the COVID-19 outbreak and the subsequent closure of "non-essential" businesses. These businesses tend to be a major component of the workforce. As the stay at home order stays in effect, it is likely that the initial unemployment claims will continue to increase as the economy shifts to handle the unprecedented changes.

Chart 7. County Hold Harmless Revenue



* Total may overlap state hold harmless payments

SOURCES: NEW MEXICO TAXATION AND REVENUE DEPT, NEW MEXICO DEPTARTMENT OF WORKFORCE SOLUTIONS, U.S. BUREAU OF LABOR AND STATISTICS, U.S. BUREAU OF ECONOMIC ANALYSIS AND EDD CALCULATIONS