Quarterly Economic Summary

Taos County

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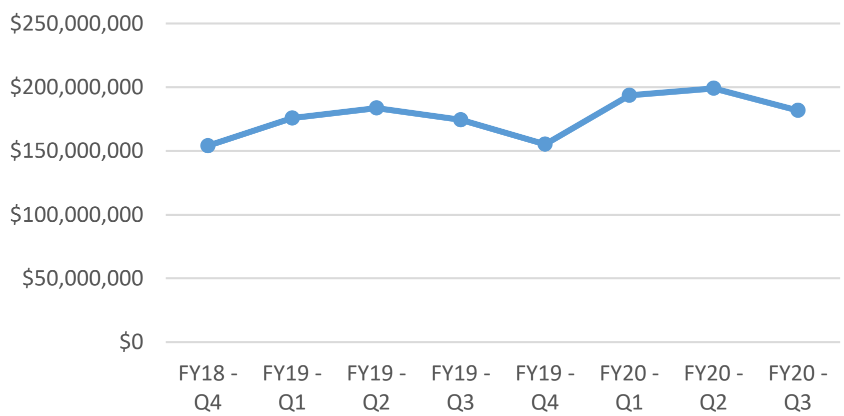
Chart 1. Matched Taxable Gross Receipts Per Quarter

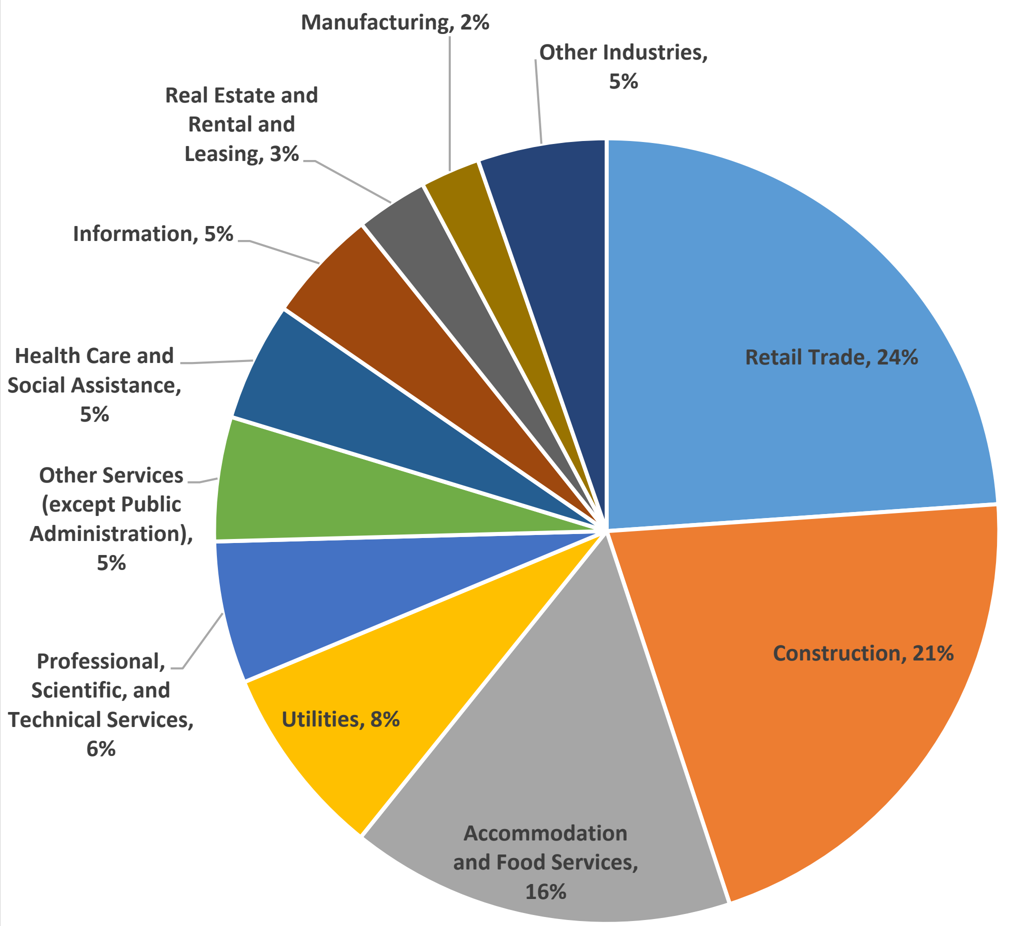


Due to the necessity of the statewide business closure, which went into effect on March 24th, and the health and economic effects COVID-19 had since early March, matched taxable gross receipts and revenue collections may have declined in the third quarter of FY20. Most of the gross receipts tax decline 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.

Taos County's matched taxable gross receipts (MTGR) has decreased by $17.3M from Q2 to Q3 FY20, as seen in Chart 1. Taos County's MTGR hits a seasonal peak in the second quarter of the fiscal year, with a low in the fourth quarter. Q3 FY20 had a 4% year over year (YOY) increase, as seen in Table 1 on page 2. The construction and health care and social assistance industries saw the largest YOY increases, $7.2M and $2.6M, respectively.

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.

Chart 2. FY20 - Q3 Industry Size by Matched Taxable Gross Receipts



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

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Table 1. Matched Taxable Gross Receipts by Industry							
Industries		**FY19 - Q3**		**FY20 - Q3**		**Growth**	**Year over year Change**
Accommodation and Food Services	$	29,541,403	$	28,810,810	$	(730,593)	-2%
Administrative/Support & Waste Management/Remediation	$	1,347,320	$	1,848,192	$	500,872	37%
Agriculture, Forestry, Fishing, and Hunting	$	168,264	$	151,110	$	(17,153)	-10%
Arts, Entertainment, and Recreation	$	2,534,873	$	2,398,493	$	(136,379)	-5%
Construction	$	31,038,664	$	38,196,976	$	7,158,312	23%
Educational Services	$	425,269	$	616,626	$	191,357	45%
Finance and Insurance	$	783,263	$	659,924	$	(123,339)	-16%
Health Care and Social Assistance	$	6,286,980	$	8,904,236	$	2,617,256	42%
Information	$	8,361,933	$	8,496,280	$	134,347	2%
Management of Companies and Enterprises	$	18,851	$	-	$	(18,851)	-100%
Manufacturing	$	4,130,009	$	4,459,078	$	329,069	8%
Mining, Quarrying, and Oil and Gas Extraction	$	-	$	-	$	-	N/A
Other Services (except Public Administration)	$	9,303,990	$	9,302,800	$	(1,190)	0%
Professional, Scientific, and Technical Services	$	8,885,491	$	10,646,212	$	1,760,721	20%
Public Administration	$	-	$	-	$	-	N/A
Real Estate and Rental and Leasing	$	7,915,515	$	5,375,013	$	(2,540,502)	-32%
Retail Trade	$	45,421,492	$	43,447,556	$	(1,973,937)	-4%
Transportation and Warehousing	$	274,766	$	521,657	$	246,891	90%
Unclassified Establishments	$	677,250	$	815,541	$	138,291	20%
Utilities	$	14,794,270	$	14,437,619	$	(356,651)	-2%
Wholesale Trade	$	2,488,334	$	2,653,265	$	164,931	7%
All Industries	**$**	**174,397,939**	**$**	**181,741,390**	**$**	**7,343,450**	**4%**

The real estate and rental and leasing and retail trade industries saw the largest YOY declines of $2.5M and $2M. The County was doing particularly well, in terms of MTGR, in the first two months of Q3 before decreasing in March and have muted the negative effects of COVID-19 on the quarter. Gross receipts tax (GRT) revenue collections saw its second consecutive quarter in decline. Decreasing by 10%, $216K, from Q2 to Q3 of FY20, as seen in Chart 4.

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.

Chart 3. Annual Total GRT Revenue Collections

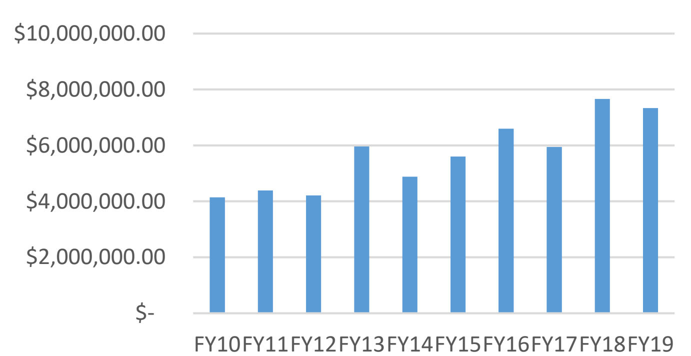
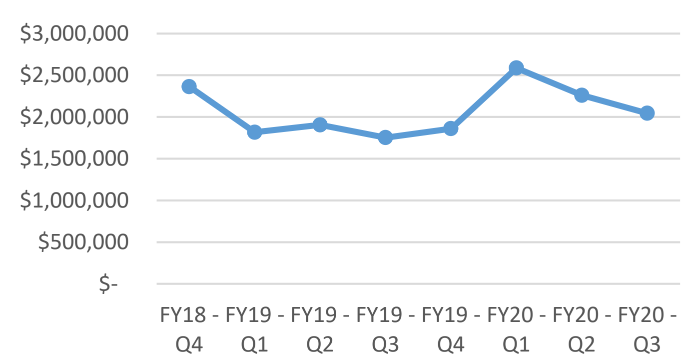


Chart 4. Quarterly GRT Revenue Collections



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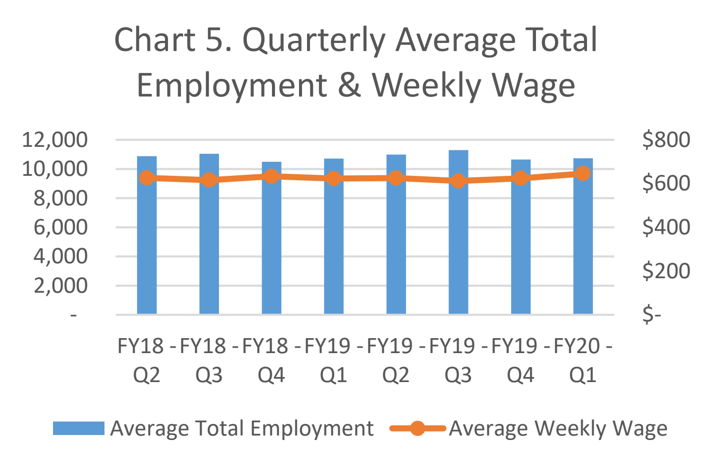
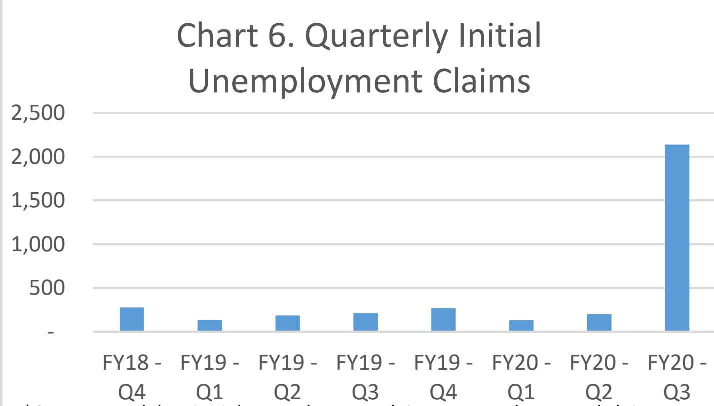
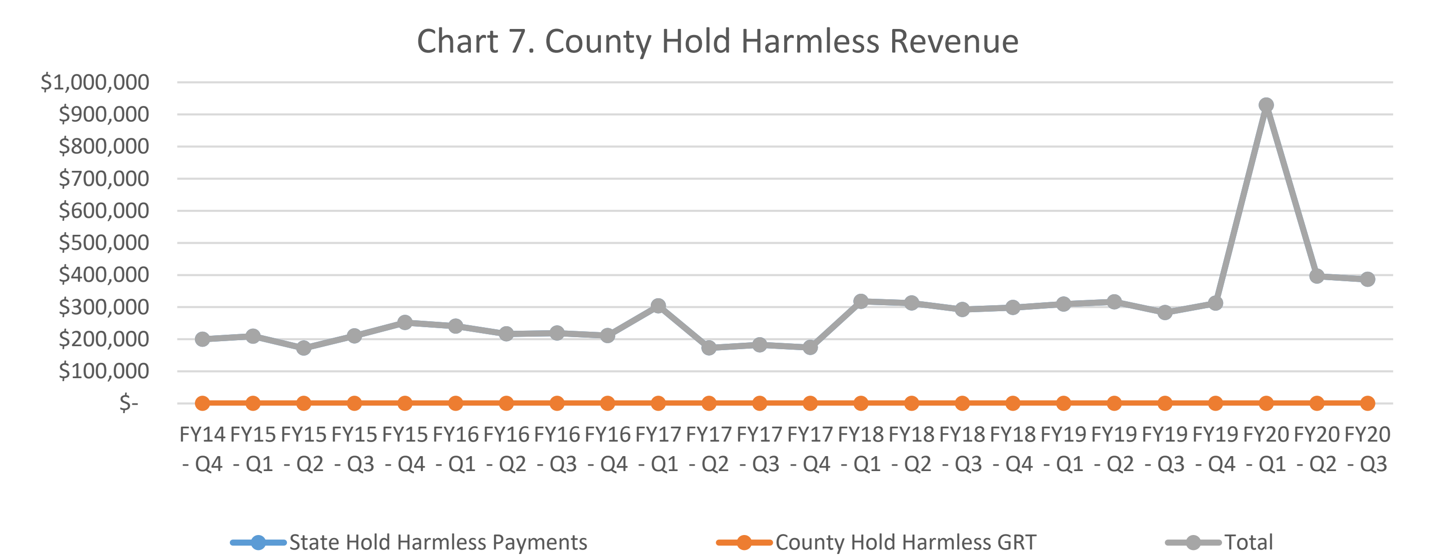




**Quarters with low initial unemployment claim amounts have total claims withheld to avoid disclosure of confidential information.*

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.



* Total may overlap state hold harmless payments

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