

Quarterly Economic Summary

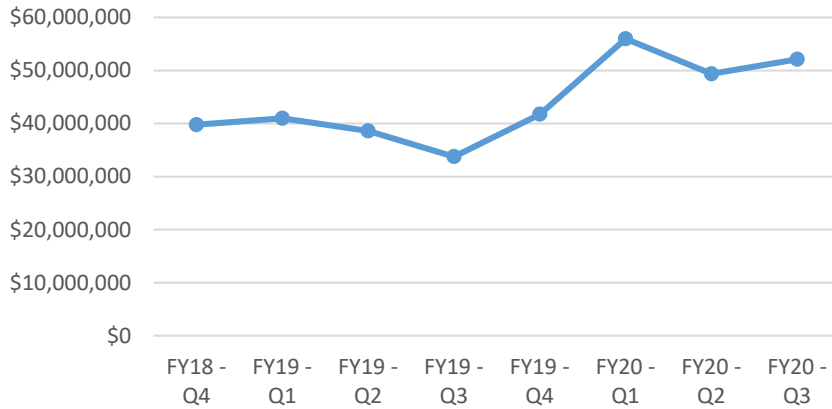
Torrance County

Released: May 2020



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

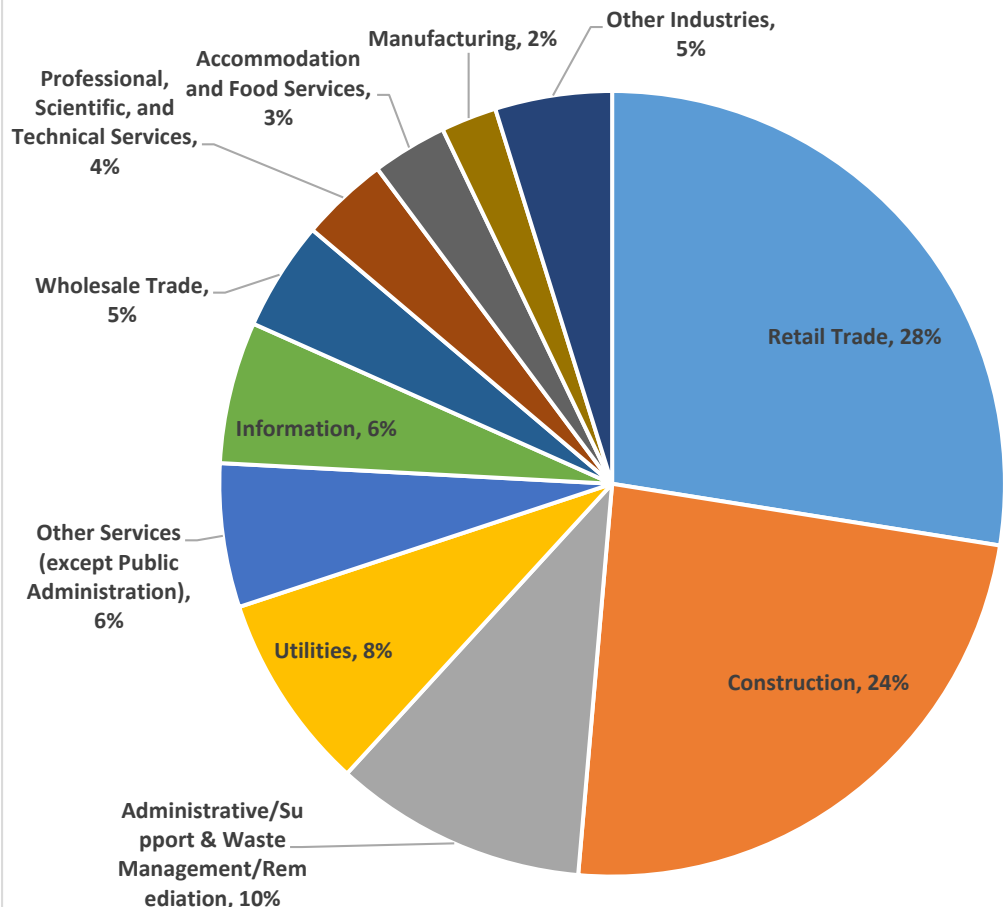
Chart 1. Matched Taxable Gross Receipts Per Quarter



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.

Torrance County's matched taxable gross receipts (MTGR) increased slightly from Q2 (\$49.4M) to Q3 (\$52.1M) in FY20. The third quarter's MTGR also saw a significant year over year (YOY) increase of 54% or \$18.4M, as seen on Table 1 on page 2. The largest YOY increases come from the construction and the administrative/support & waste management/remediation industries with a \$10M and \$5.4M increase, respectively.

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



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

Torrance County



Table 1. Matched Taxable Gross Receipts by Industry

Industries	FY19 - Q3	FY20 - Q3	Growth	Year over year Change
Accommodation and Food Services	\$ 1,442,822	\$ 1,612,479	\$ 169,657	12%
Administrative/Support & Waste Management/Remediation	\$ 344,767	\$ 5,426,989	\$ 5,082,222	1474%
Agriculture, Forestry, Fishing, and Hunting	\$ 223,508	\$ 411,626	\$ 188,117	84%
Arts, Entertainment, and Recreation	\$ 7,407	\$ 8,532	\$ 1,125	15%
Construction	\$ 2,444,797	\$ 12,437,188	\$ 9,992,391	409%
Educational Services	\$ 225,804	\$ 224,847	\$ (957)	0%
Finance and Insurance	\$ 72,933	\$ 58,805	\$ (14,128)	-19%
Health Care and Social Assistance	\$ 381,278	\$ 452,908	\$ 71,630	19%
Information	\$ 3,018,198	\$ 3,042,187	\$ 23,989	1%
Management of Companies and Enterprises	\$ -	\$ -	\$ -	N/A
Manufacturing	\$ 747,561	\$ 1,193,776	\$ 446,215	60%
Mining, Quarrying, and Oil and Gas Extraction	\$ 380	\$ 20,587	\$ 20,206	5311%
Other Services (except Public Administration)	\$ 3,367,136	\$ 3,082,953	\$ (284,182)	-8%
Professional, Scientific, and Technical Services	\$ 1,168,304	\$ 1,887,261	\$ 718,957	62%
Public Administration	\$ -	\$ -	\$ -	N/A
Real Estate and Rental and Leasing	\$ 601,800	\$ 633,074	\$ 31,275	5%
Retail Trade	\$ 13,249,402	\$ 14,337,321	\$ 1,087,919	8%
Transportation and Warehousing	\$ 544,080	\$ 432,459	\$ (111,621)	-21%
Unclassified Establishments	\$ 129,595	\$ 262,237	\$ 132,643	102%
Utilities	\$ 4,364,738	\$ 4,236,438	\$ (128,299)	-3%
Wholesale Trade	\$ 1,410,987	\$ 2,349,246	\$ 938,259	66%
All Industries	\$ 33,745,496	\$ 52,110,913	\$ 18,365,417	54%

Torrance County's construction industry has been experiencing an elevated level of MTGR since Q1 FY20, where it had experienced relatively low MTGR across all of FY19. The administrative/support industry has experienced a large increase in MTGR, starting and remaining relatively stable since Q2 FY20. The County saw this industry drop to very low levels from Q2 FY18 through Q1 FY20. The industry's current level of MTGR is in line with levels before Q2 FY18. Gross receipts tax (GRT) revenue collections had a second consecutive quarter in decline in Q3 FY20, now at \$464K after hitting a peak in Q1 FY20, as seen on 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

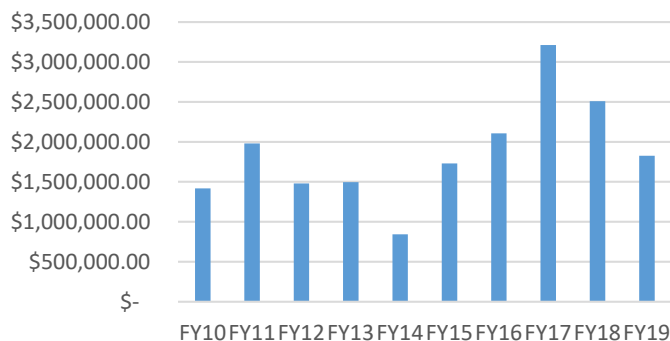
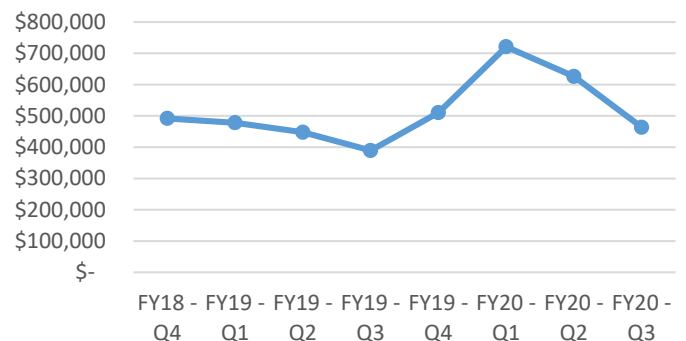


Chart 4. Quarterly GRT Revenue Collections



Quarterly Economic Summary

Torrance County



Chart 5. Quarterly Average Total Employment & Weekly Wage

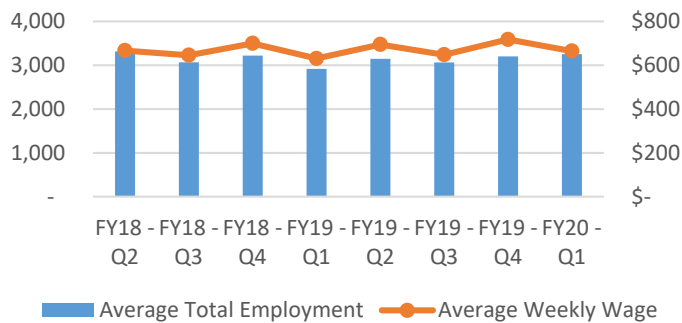
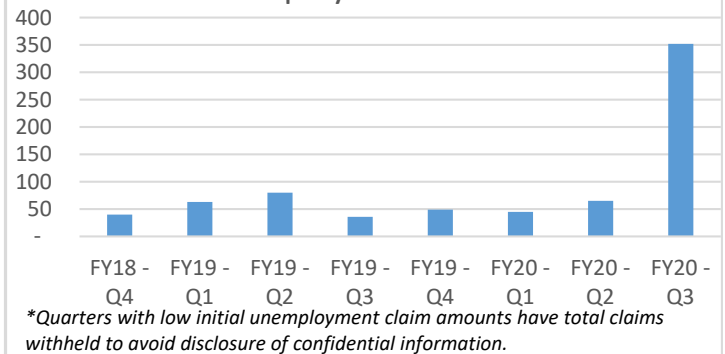


Chart 6. Quarterly Initial Unemployment Claims



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

