

Quarterly Economic Summary

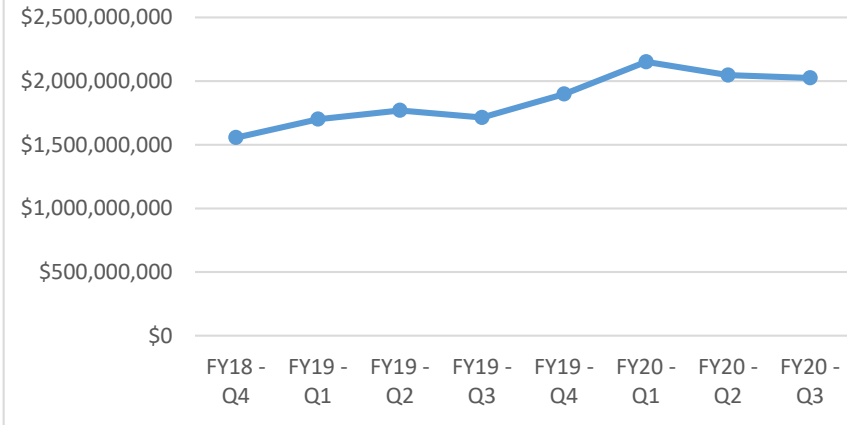
Eddy County

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Chart 1. Matched Taxable Gross Receipts Per Quarter

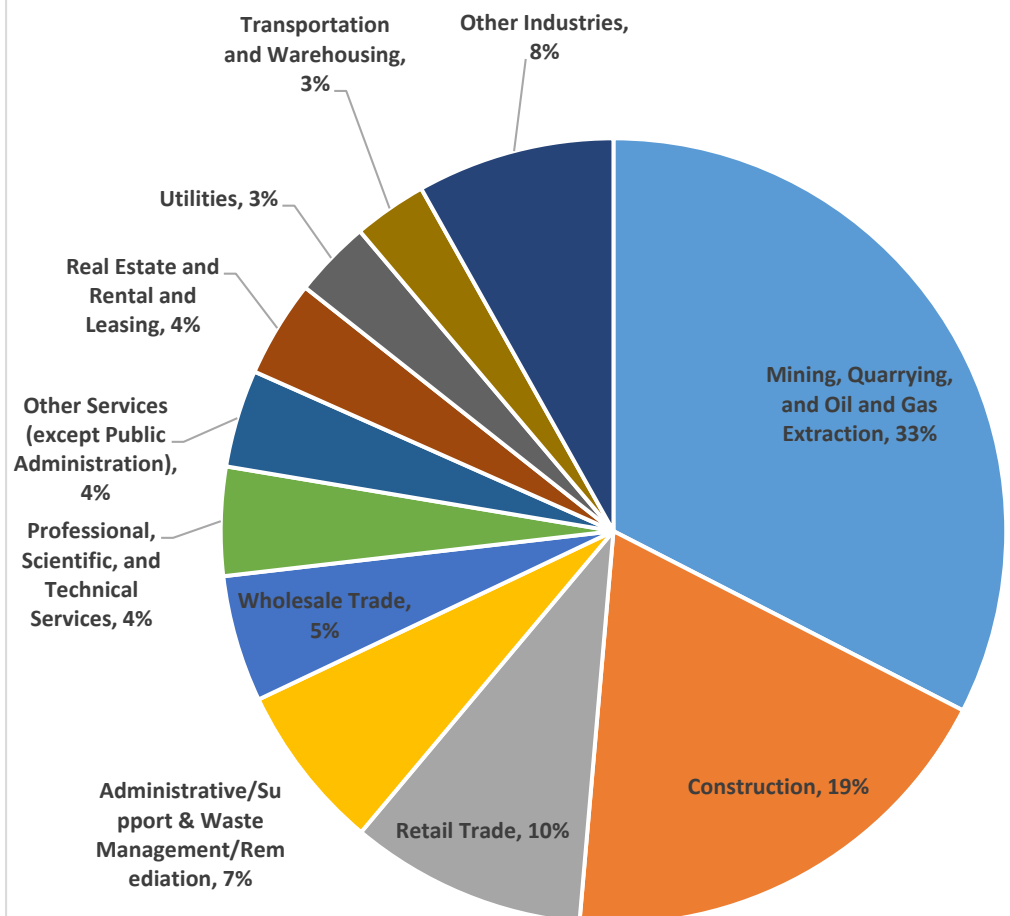


Due to the necessity of the statewide business closure, which went into effect on March 24th, and the health and economic effects COVID-19 had since early March, matched taxable gross receipts and revenue collections may have declined in the third quarter of FY20. Most of the gross receipts tax decline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

Starting March 4th of this year, the price of oil began to drop, with prices on 4/20/20 going negative. This factor may be reflected in future reports. Eddy County has seen nearly stable growth in its matched taxable gross receipts (MTGR) over the last eight quarters, as seen in Chart 1. The eight-quarter trend is upward for Eddy County. This trend is a continuation dating back to Q4 FY17. Eddy County's MTGR has leveled off since Q1 FY20,

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



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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	\$ 61,997,044	\$ 50,211,176	\$ (11,785,868)	-19%
Administrative/Support & Waste Management/Remediation	\$ 60,718,246	\$ 138,615,307	\$ 77,897,061	128%
Agriculture, Forestry, Fishing, and Hunting	\$ 2,118,413	\$ 2,258,738	\$ 140,325	7%
Arts, Entertainment, and Recreation	\$ 231,769	\$ 75,244	\$ (156,525)	-68%
Construction	\$ 248,768,278	\$ 381,340,331	\$ 132,572,053	53%
Educational Services	\$ 243,692	\$ 556,755	\$ 313,062	128%
Finance and Insurance	\$ 2,863,646	\$ 3,553,993	\$ 690,347	24%
Health Care and Social Assistance	\$ 18,965,308	\$ 15,050,104	\$ (3,915,204)	-21%
Information	\$ 20,018,337	\$ 25,223,635	\$ 5,205,298	26%
Management of Companies and Enterprises	\$ -	\$ -	\$ -	N/A
Manufacturing	\$ 62,146,040	\$ 60,609,551	\$ (1,536,489)	-2%
Mining, Quarrying, and Oil and Gas Extraction	\$ 513,968,253	\$ 658,889,585	\$ 144,921,333	28%
Other Services (except Public Administration)	\$ 78,200,564	\$ 81,353,657	\$ 3,153,093	4%
Professional, Scientific, and Technical Services	\$ 61,553,209	\$ 90,497,699	\$ 28,944,490	47%
Public Administration	\$ -	\$ -	\$ -	N/A
Real Estate and Rental and Leasing	\$ 62,443,482	\$ 80,756,626	\$ 18,313,145	29%
Retail Trade	\$ 234,350,886	\$ 196,833,047	\$ (37,517,838)	-16%
Transportation and Warehousing	\$ 68,243,943	\$ 61,360,191	\$ (6,883,752)	-10%
Unclassified Establishments	\$ 7,113,317	\$ 7,264,161	\$ 150,845	2%
Utilities	\$ 72,172,301	\$ 64,491,866	\$ (7,680,435)	-11%
Wholesale Trade	\$ 137,544,446	\$ 105,622,362	\$ (31,922,084)	-23%
All Industries	\$ 1,713,661,173	\$ 2,024,564,029	\$ 310,902,856	18%

posting a \$22M decline from Q2 to Q3 of FY20. Table 1 shows a year over year increase of \$311M, comparing Q3 in FY19 and FY20. Gross receipts tax (GRT) revenue collections have leveled off since its high in Q1 FY20, seen in Chart 4. From Q2 to Q3 FY20, GRT collections have decreased by \$23K or 0.2%. This decrease is due to the loss in county share GRT. Eddy County, like many other counties around the state, saw a massive jump in its hold harmless payments in Q1 FY20, as seen in Chart 7, on page 3.



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

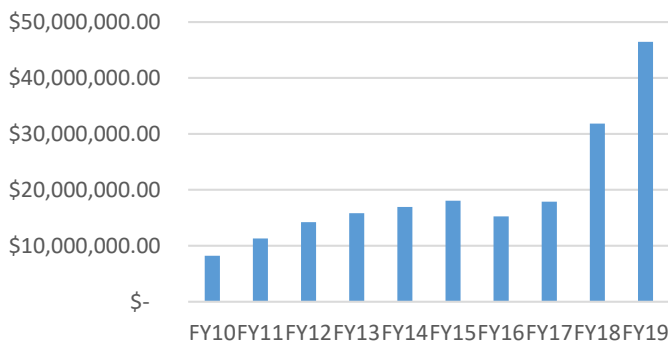
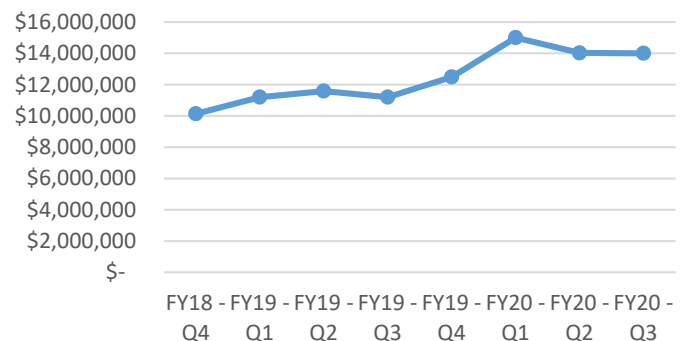


Chart 4. Quarterly GRT Revenue Collections



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Chart 5. Quarterly Average Total Employment & Weekly Wage

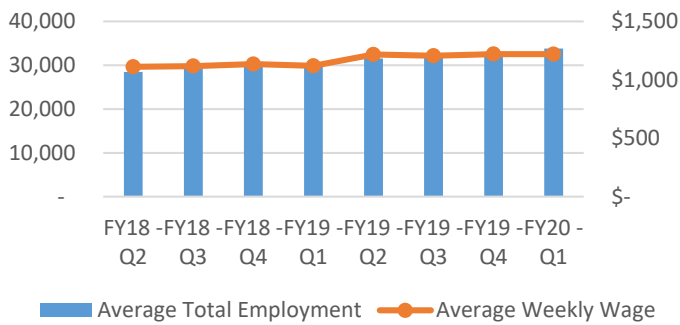
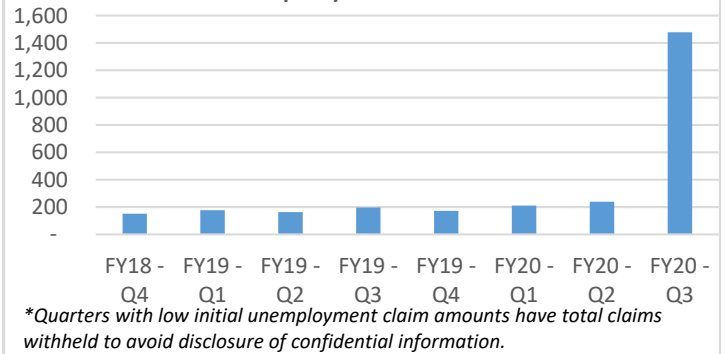


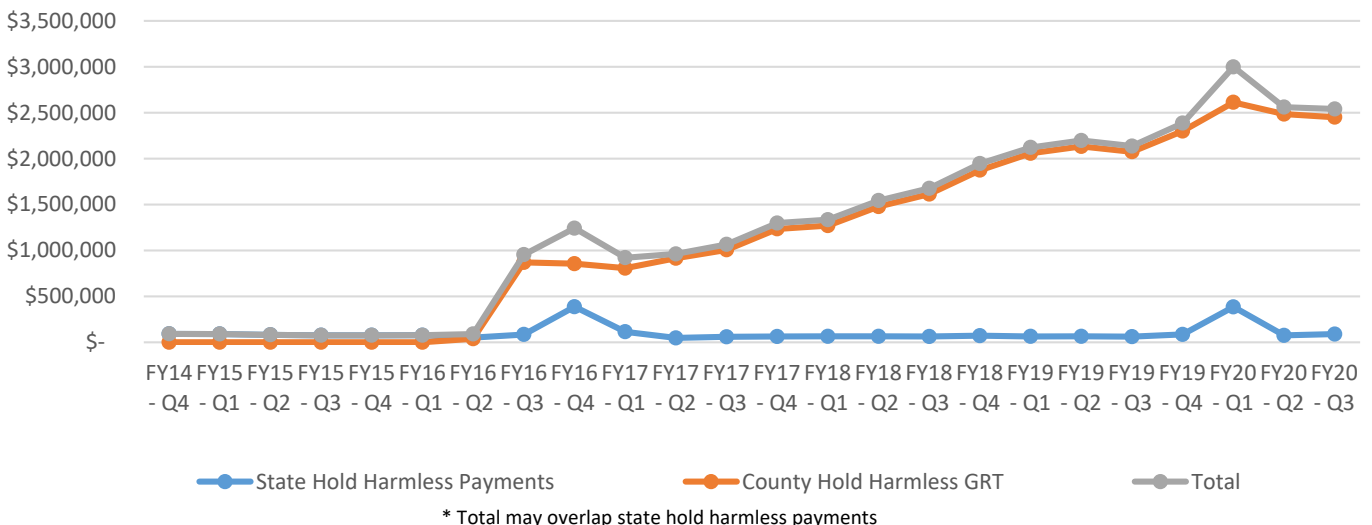
Chart 6. Quarterly Initial Unemployment Claims



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



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