

Quarterly Economic Summary

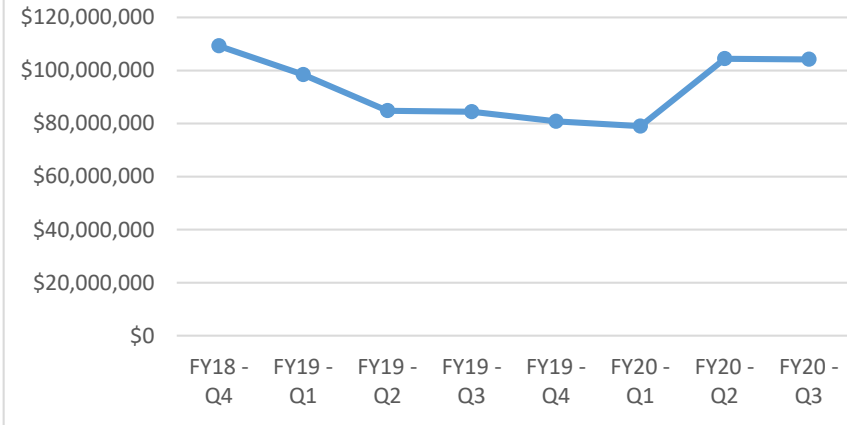
Luna County

Released: May 2020



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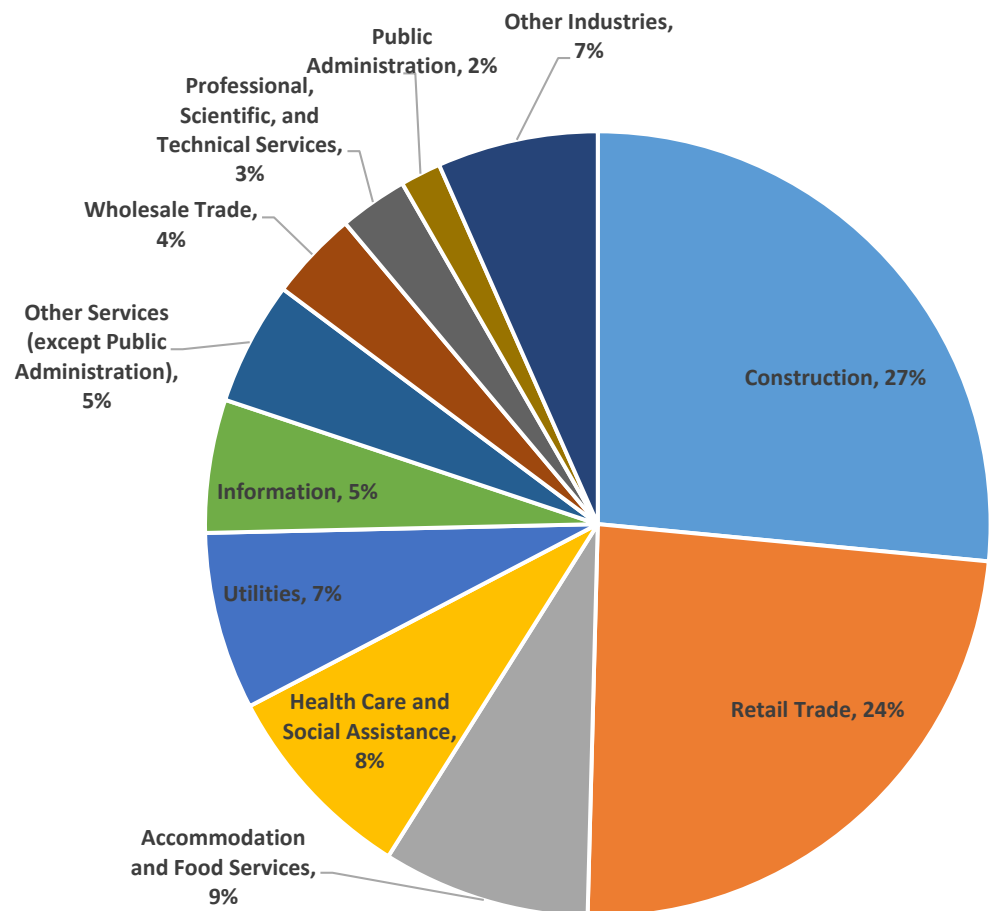
Chart 1. Matched Taxable Gross Receipts Per Quarter



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.

Luna County's matched taxable gross receipts (MTGR) is nearly identical from Q2 to Q3 in FY20, as seen in Chart 1. Table 1, on the next page, shows an increase of \$19.7M from Q3 in FY19 to FY20 of the same period. This growth was driven by the construction industry, which posted a \$16.7M year over year gain. The construction industry has been a major driver for Luna County dating back to Q1 FY18, with an average quarterly

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.

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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	\$ 8,860,619	\$ 8,895,280	\$ 34,661	0%
Administrative/Support & Waste Management/Remediation	\$ 1,655,447	\$ 1,713,503	\$ 58,055	4%
Agriculture, Forestry, Fishing, and Hunting	\$ 140,170	\$ 109,830	\$ (30,340)	-22%
Arts, Entertainment, and Recreation	\$ 35,567	\$ 131,278	\$ 95,711	269%
Construction	\$ 10,865,580	\$ 27,620,641	\$ 16,755,060	154%
Educational Services	\$ 981	\$ 4,343	\$ 3,363	343%
Finance and Insurance	\$ 408,419	\$ 397,028	\$ (11,391)	-3%
Health Care and Social Assistance	\$ 8,957,508	\$ 8,725,725	\$ (231,783)	-3%
Information	\$ 5,012,188	\$ 5,711,454	\$ 699,265	14%
Management of Companies and Enterprises	\$ -	\$ -	\$ -	N/A
Manufacturing	\$ 1,328,919	\$ 1,547,394	\$ 218,475	16%
Mining, Quarrying, and Oil and Gas Extraction	\$ 279,826	\$ 294,647	\$ 14,821	5%
Other Services (except Public Administration)	\$ 5,513,592	\$ 5,296,869	\$ (216,723)	-4%
Professional, Scientific, and Technical Services	\$ 2,220,726	\$ 2,941,194	\$ 720,469	32%
Public Administration	\$ 724,684	\$ 1,742,418	\$ 1,017,733	140%
Real Estate and Rental and Leasing	\$ 1,065,162	\$ 1,195,444	\$ 130,282	12%
Retail Trade	\$ 24,374,877	\$ 24,897,826	\$ 522,949	2%
Transportation and Warehousing	\$ 743,009	\$ 1,165,070	\$ 422,062	57%
Unclassified Establishments	\$ 442,296	\$ 338,051	\$ (104,245)	-24%
Utilities	\$ 9,612,689	\$ 7,615,934	\$ (1,996,755)	-21%
Wholesale Trade	\$ 2,185,539	\$ 3,827,873	\$ 1,642,333	75%
All Industries	\$ 84,427,799	\$ 104,171,801	\$ 19,744,002	23%

MTGR of \$20.6M. Gross receipts tax (GRT) revenue collections rose slightly in Q3 FY20, as seen in Chart 4. This increase, though slight (2%), is an eight-quarter high for Luna County. The increase is due, in part, to an increase in the county fire protection fund which grew by 23% from Q2 to Q3 in FY20.

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

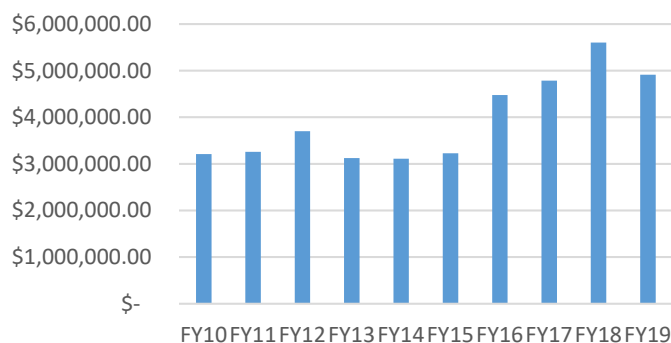
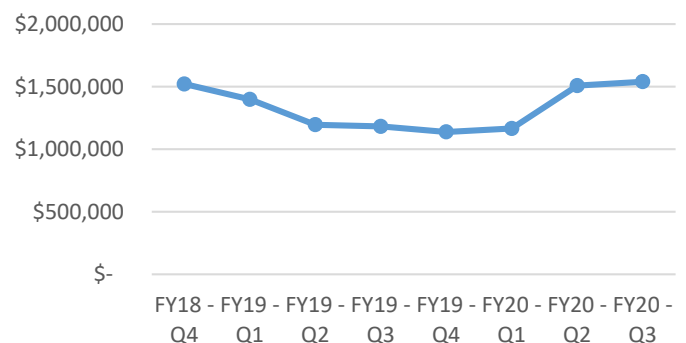


Chart 4. Quarterly GRT Revenue Collections



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Chart 5. Quarterly Average Total Employment & Weekly Wage

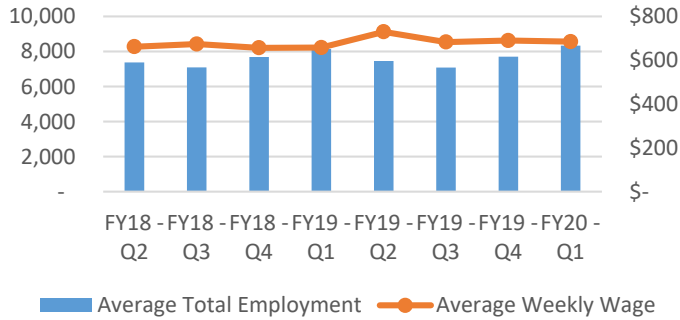
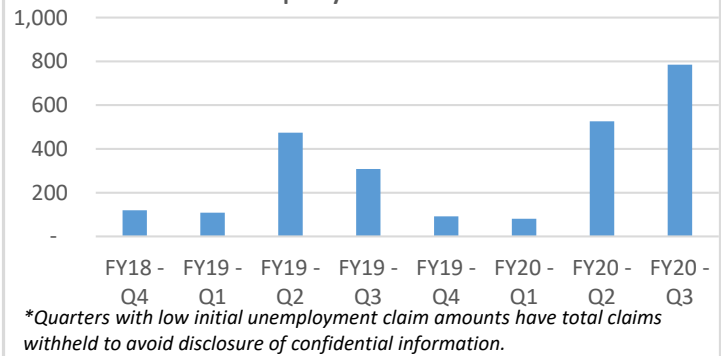


Chart 6. Quarterly Initial Unemployment Claims



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

