Quarterly Economic Summary

Cibola County

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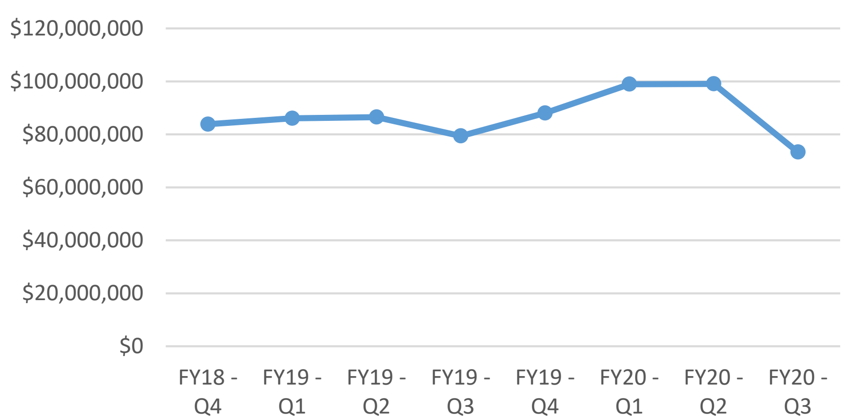
Chart 1. Matched Taxable Gross Receipts Per Quarter

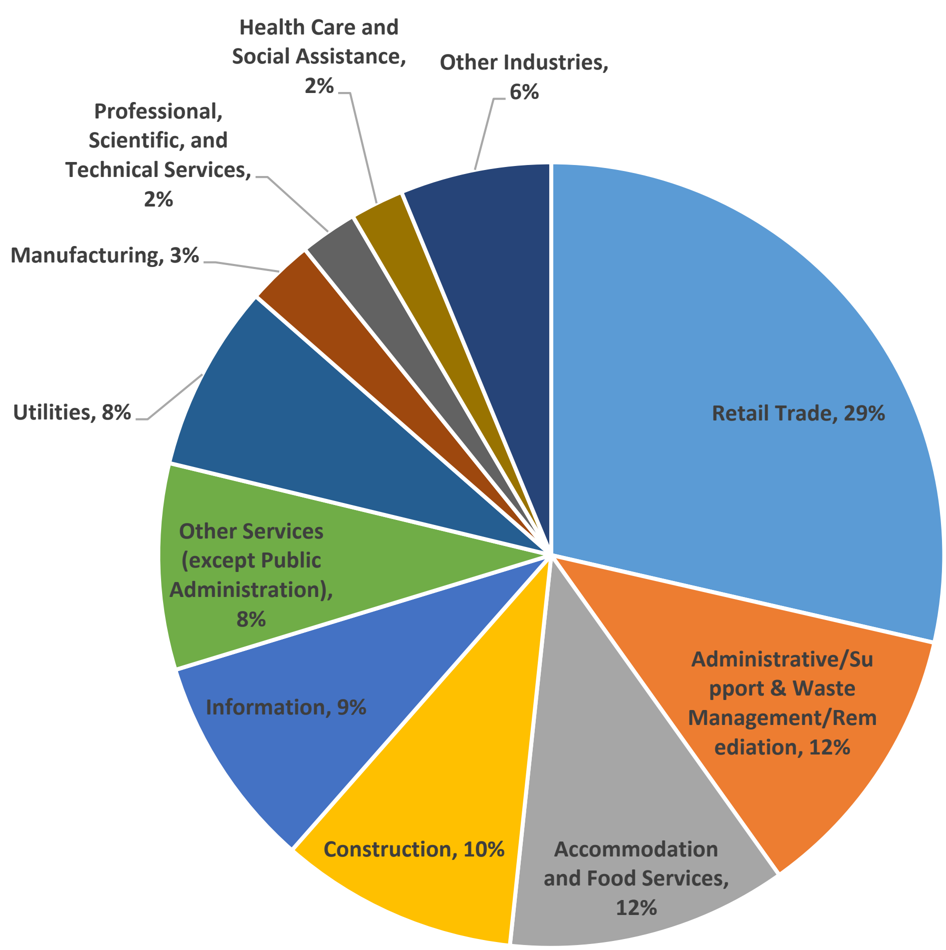


Due to the necessity of the statewide business closure, which went into effect on March 24th, and the health and economic effects COVID-19 had since early March, matched taxable gross receipts and revenue collections may have declined in the third quarter of FY20. Most of the gross receipts tax decline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

Cibola County has seen its matched taxable gross receipts (MTGR) drop to $73.3M, which represents a 26% decrease from Q2 to Q3 FY20. As seen in Chart 1, Cibola County's MTGR has dropped to the lowest level in the last eight quarters. This is the lowest that Cibola County's quarterly MTGR has been since Q4 FY17 when it posted $60.8M. Table 1, on the next page, shows a loss of $6M from Q3 FY19 to Q3 FY20. This loss is almost exclusively

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	$ 8,399,213	$ 8,451,477	$ 52,264	1%
Administrative/Support & Waste Management/Remediation	$ 7,119,184	$ 8,476,579	$ 1,357,395	19%
Agriculture, Forestry, Fishing, and Hunting	$ 57,713	$ 12,989	$ (44,724)	-77%
Arts, Entertainment, and Recreation	$ 164,948	$ 102,461	$ (62,487)	-38%
Construction	$ 8,613,420	$ 7,176,913	$ (1,436,507)	-17%
Educational Services	$ 28,891	$ 32,477	$ 3,586	12%
Finance and Insurance	$ 126,150	$ 119,615	$ (6,535)	-5%
Health Care and Social Assistance	$ 10,799,543	$ 1,615,372	$ (9,184,171)	-85%
Information	$ 4,978,245	$ 6,456,881	$ 1,478,637	30%
Manufacturing	$ 1,047,466	$ 2,016,561	$ 969,095	93%
Mining, Quarrying, and Oil and Gas Extraction	$ 369,793	$ 462,491	$ 92,698	25%
Other Services (except Public Administration)	$ 7,263,276	$ 6,217,054	$ (1,046,222)	-14%
Professional, Scientific, and Technical Services	$ 1,813,238	$ 1,732,203	$ (81,035)	-4%
Public Administration	$ 551,114	$ -	$ (551,114)	-100%
Real Estate and Rental and Leasing	$ 1,100,554	$ 1,200,379	$ 99,825	9%
Retail Trade	$ 19,506,577	$ 20,948,279	$ 1,441,702	7%
Transportation and Warehousing	$ 751,932	$ 483,651	$ (268,281)	-36%
Unclassified Establishments	$ 156,206	$ 868,923	$ 712,717	456%
Utilities	$ 4,983,882	$ 5,635,646	$ 651,765	13%
Wholesale Trade	$ 1,545,523	$ 1,280,044	$ (265,479)	-17%
All Industries	**$ 79,376,867**	**$ 73,289,996**	**$ (6,086,871)**	**-8%**

due to the health care and social assistance industry, which posted a $9.1M decrease. This is likely due to one or more entities being late to file. Gross receipts tax (GRT) revenue collections dropped significantly in Q3 FY20, as seen in Chart 4. This decrease is almost exclusively due to a decrease in the county share GRT collection, which saw a $105K decrease from the previous quarter. Comparing Q3 FY19 to Q3 FY20, quarterly GRT collections were up by $25K. This year over year increase is largely due to the HB6 distributions, which accounted for nearly $30K.

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

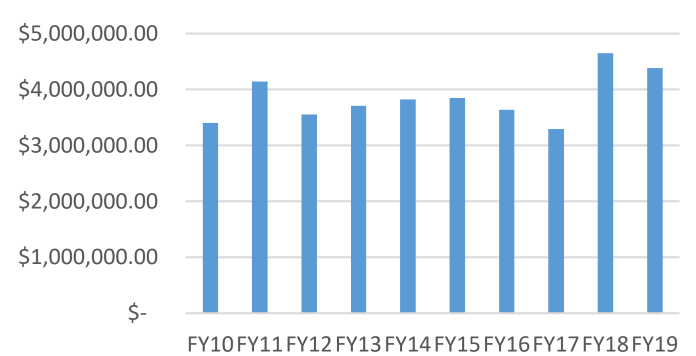
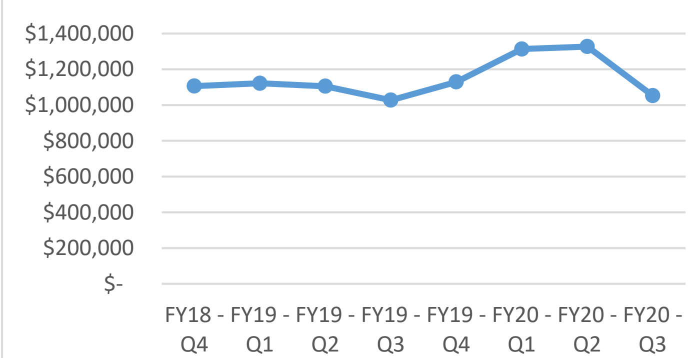


Chart 4. Quarterly GRT Revenue Collections



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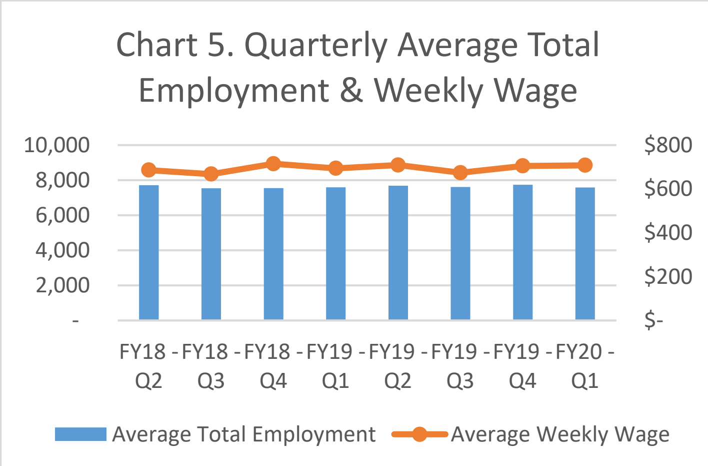
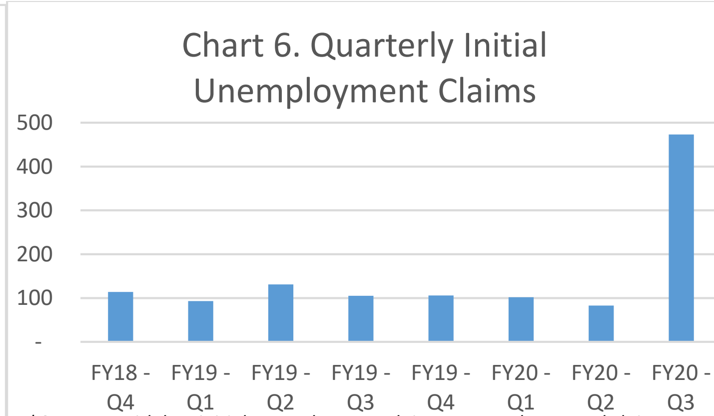
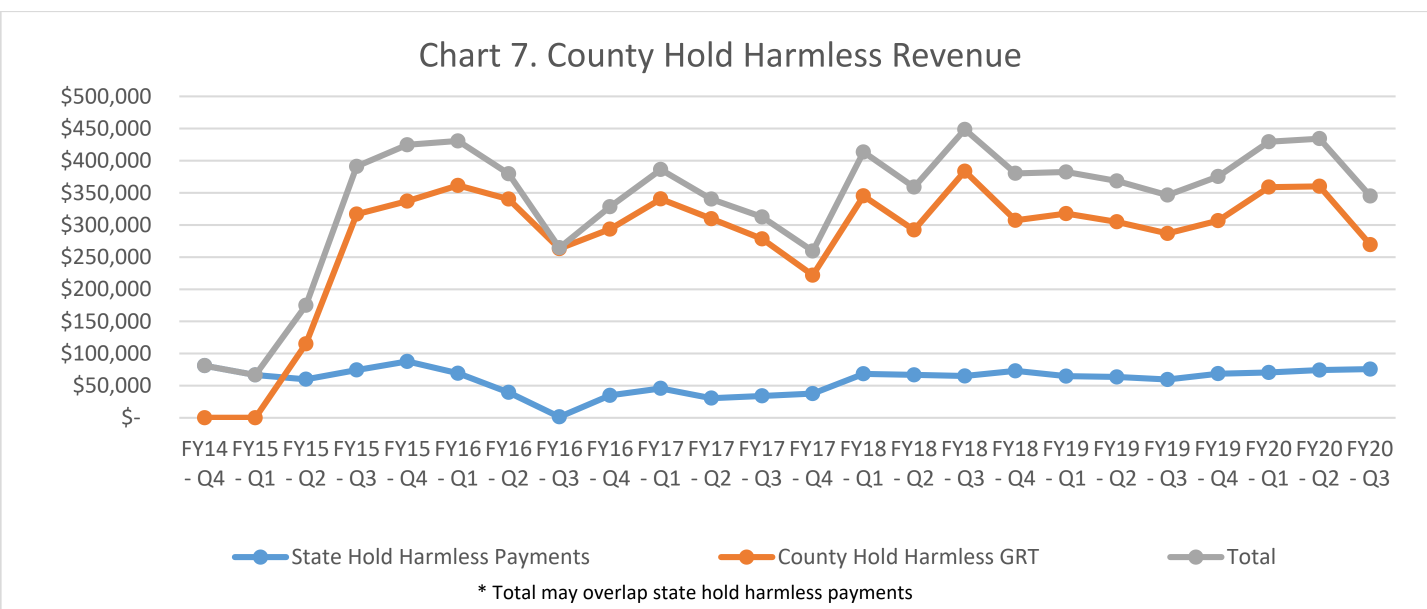




**Quarters with low initial unemployment claim amounts have total claims withheld to avoid disclosure of confidential information.*

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.



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