

Quarterly Economic Summary

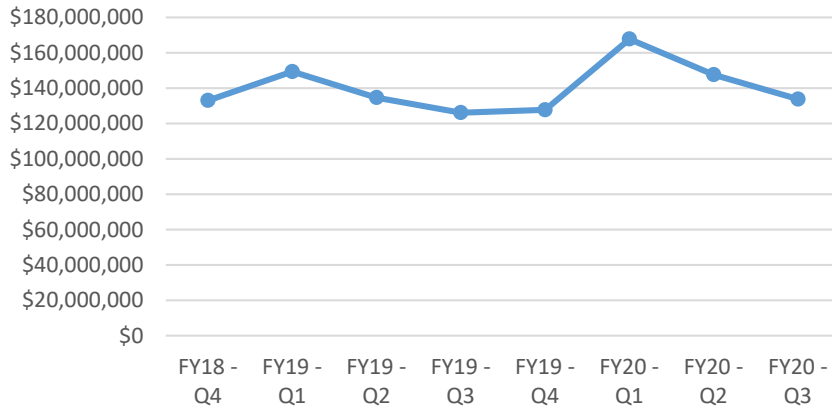
Lincoln County



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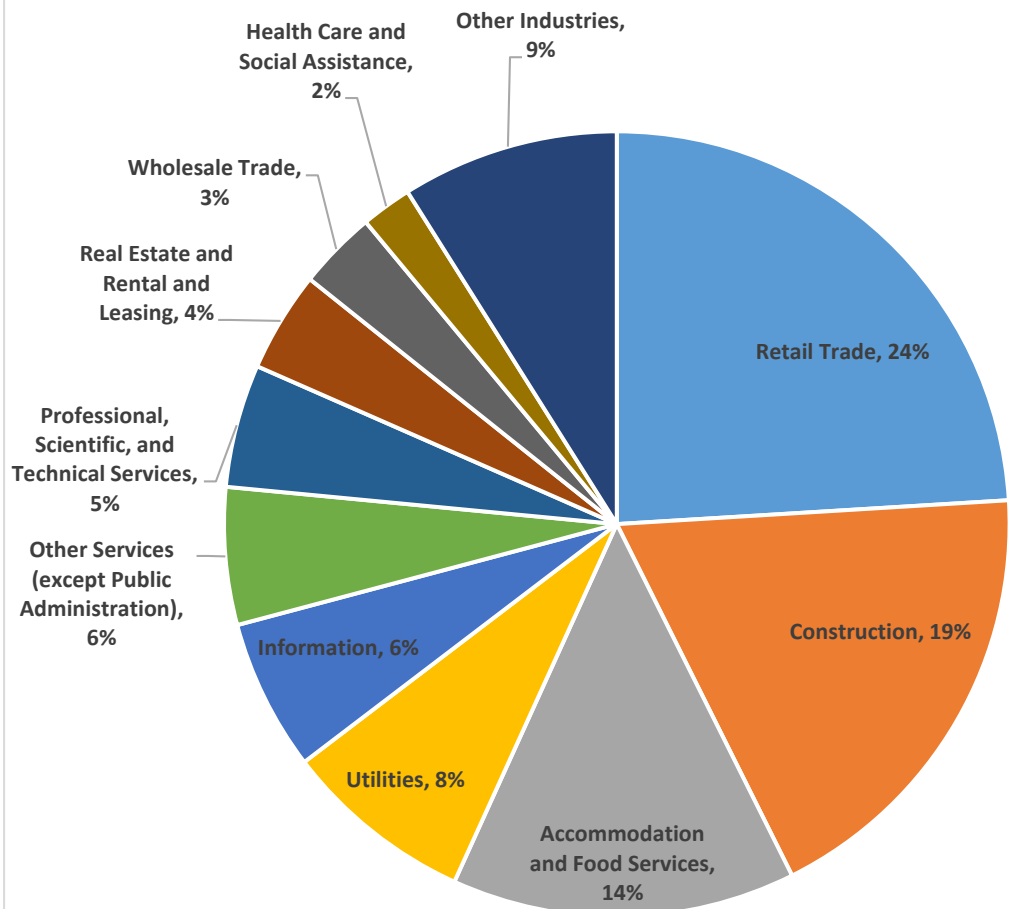
Chart 1. Matched Taxable Gross Receipts Per Quarter



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.

Lincoln County has seen a stable decline in its matched taxable gross receipts (MTGR) since its eight-quarter peak in Q1 FY20, as seen in Chart 1. Lincoln County's MTGR hits a seasonal peak in the first quarter of the fiscal year. Though Lincoln County demonstrates seasonality in its MTGR, the drop from Q2 to Q3 was greater in FY20. In FY18 and FY19, the average decline was \$7M and the decline in FY20 was nearly \$14M.

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	\$ 19,245,032	\$ 18,931,034	\$ (313,997)	-2%
Administrative/Support & Waste Management/Remediation	\$ 1,210,598	\$ 2,028,876	\$ 818,278	68%
Agriculture, Forestry, Fishing, and Hunting	\$ 479,541	\$ 1,217,824	\$ 738,283	154%
Arts, Entertainment, and Recreation	\$ 2,323,888	\$ 2,161,495	\$ (162,392)	-7%
Construction	\$ 19,411,261	\$ 24,894,545	\$ 5,483,284	28%
Educational Services	\$ 68,250	\$ 73,980	\$ 5,730	8%
Finance and Insurance	\$ 1,095,190	\$ 1,004,475	\$ (90,715)	-8%
Health Care and Social Assistance	\$ 2,598,810	\$ 2,799,309	\$ 200,499	8%
Information	\$ 7,951,965	\$ 8,322,622	\$ 370,657	5%
Management of Companies and Enterprises	\$ -	\$ -	\$ -	N/A
Manufacturing	\$ 2,825,053	\$ 2,547,300	\$ (277,754)	-10%
Mining, Quarrying, and Oil and Gas Extraction	\$ 57,372	\$ 3,247	\$ (54,124)	-94%
Other Services (except Public Administration)	\$ 7,854,667	\$ 7,565,498	\$ (289,169)	-4%
Professional, Scientific, and Technical Services	\$ 4,195,962	\$ 6,779,748	\$ 2,583,785	62%
Public Administration	\$ 194,209	\$ -	\$ (194,209)	-100%
Real Estate and Rental and Leasing	\$ 6,953,498	\$ 5,534,889	\$ (1,418,610)	-20%
Retail Trade	\$ 32,640,170	\$ 32,155,153	\$ (485,017)	-1%
Transportation and Warehousing	\$ 1,484,465	\$ 1,278,136	\$ (206,328)	-14%
Unclassified Establishments	\$ 1,643,231	\$ 1,653,110	\$ 9,879	1%
Utilities	\$ 10,337,069	\$ 10,513,642	\$ 176,573	2%
Wholesale Trade	\$ 3,587,947	\$ 4,339,537	\$ 751,589	21%
All Industries	\$ 126,158,177	\$ 133,804,419	\$ 7,646,241	6%

Though MTGR is down from Q2 to Q3 in FY20, it is up \$7.6M year over year, as seen in Table 1. The growth is primarily a result of a 28% increase in the construction industry. Gross receipts tax (GRT) revenue collections were down slightly in Q3 FY20, as seen in Chart 4. Despite the decrease from Q2 to Q3, GRT collections saw a year over year increase of 18%(\$58K) comparing Q3 of FY19 and 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

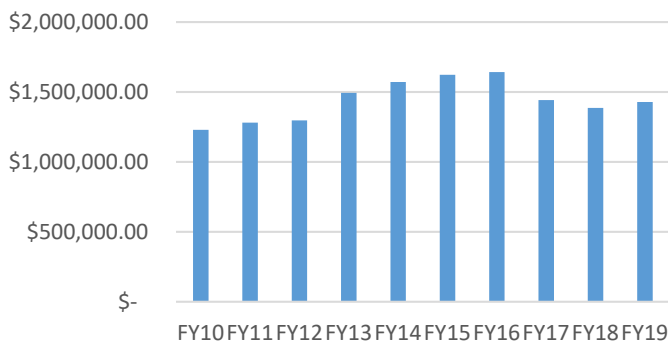
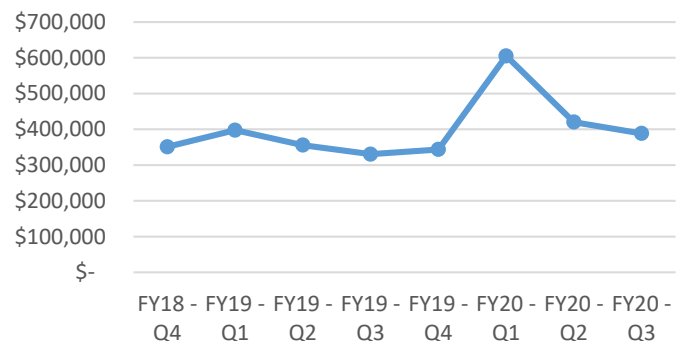


Chart 4. Quarterly GRT Revenue Collections



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Chart 5. Quarterly Average Total Employment & Weekly Wage

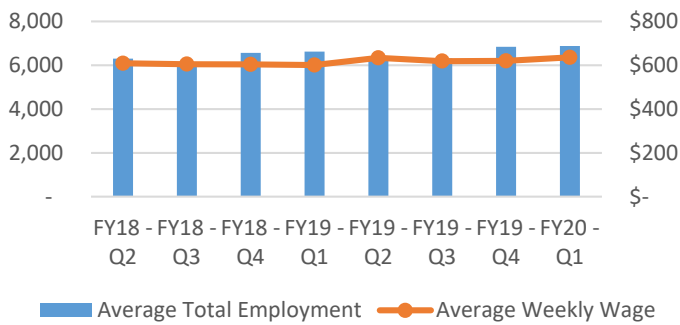
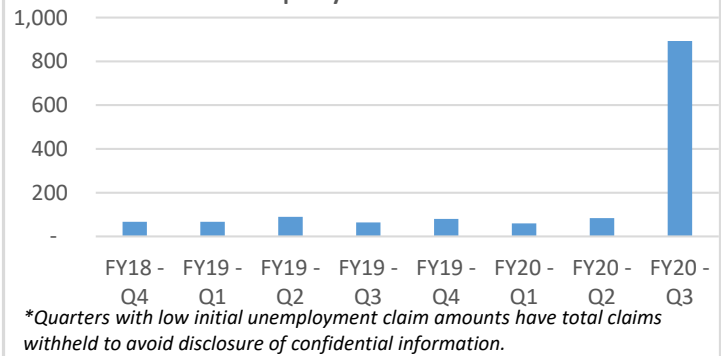


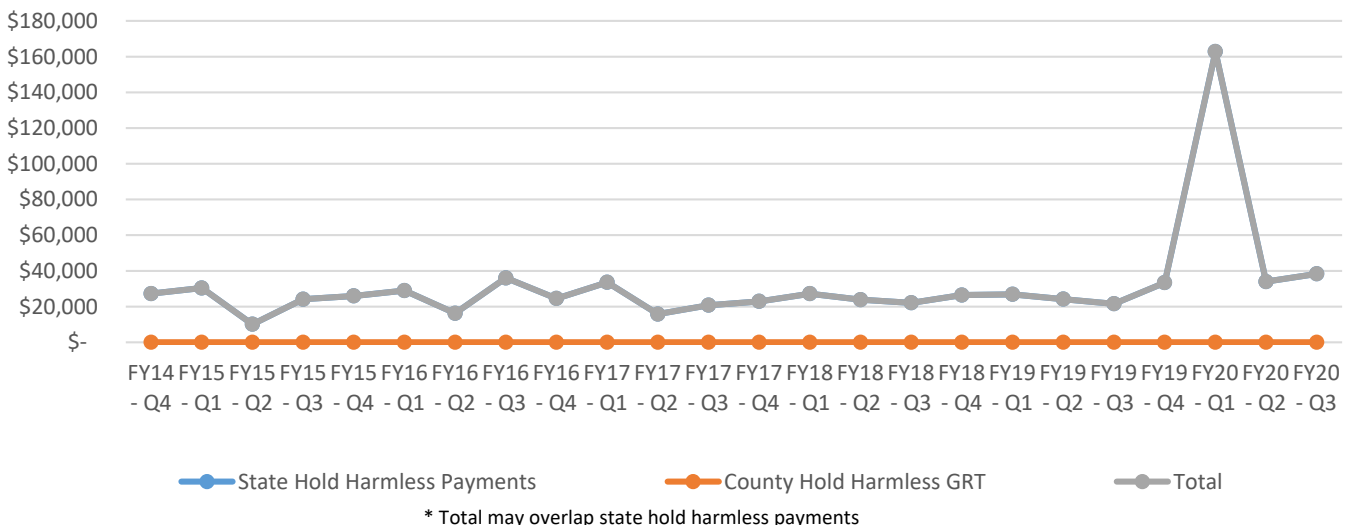
Chart 6. Quarterly Initial Unemployment Claims



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



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