

LFC Requester: \_\_\_\_\_

**AGENCY BILL ANALYSIS  
2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**Analysis.nmlegis.gov**

*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

*Check all that apply:*

Original  Amendment \_\_\_\_\_  
Correction \_\_\_\_\_ Substitute \_\_\_\_\_

Date Jan 10, 2025

Bill No: HB 51

Sponsor: Rep. Debra M. Sariñana  
Short Title: Energy Storage System Tax Credits

Agency Name and Code  
Number: EMNRD 521

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**SECTION II: FISCAL IMPACT**

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
(6100)	(6100)	(6100)	Recurring	

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	150.0	150.0	150.0	450.0	Recurring	

(Parenthesis ( ) Indicate Expenditure Decreases)

## **SECTION III: NARRATIVE**

### **BILL SUMMARY**

#### Synopsis:

HB 51 amends the Income Tax Act to create the Energy Storage System Income Tax Credit for energy storage systems installed in the taxpayer's residential, commercial, industrial, or agricultural property in New Mexico prior to January 1, 2030. A taxpayer may receive a tax credit of 40% of the total cost to purchase and install a system, up to a maximum of \$6,000 for an energy storage system installed at a residential property and up to a maximum of \$150,000 at a commercial, industrial, or agricultural property. Residential property must be real property located in New Mexico and systems must be installed to serve permanent structures of one to four living units that are used primarily for human habitation. Only one system per property is eligible for the credit. The annual aggregate tax credit cap is \$6 million.

HB 51 also amends the Corporate Income and Franchise Tax Act to create the Energy Storage System Corporate Income Tax Credit for energy storage systems installed in the taxpayer's commercial, industrial, or agricultural property in New Mexico prior to January 1, 2030. A taxpayer may receive a tax credit of 40% of the total cost to purchase and install a system up to a maximum of \$150,000 on a nonresidential property including, commercial, industrial, or agricultural property. Only one system per property is eligible for the credit. The annual tax credit cap is \$6 million.

HB 51 gives EMNRD the responsibility for certifying the energy storage system for both the income tax credit and corporate income tax credit.

### **FISCAL IMPLICATIONS**

#### **SIGNIFICANT ISSUES**

HB 51 incentivizes the adoption of distributed energy storage systems, which is crucial for balancing the sustainability, affordability, reliability, and resiliency of New Mexico's electricity grid. Distributed energy storage systems can help balance electricity on distribution feeders that are oversaturated with distributed PV systems, freeing up additional hosting capacity and avoiding costly infrastructure upgrades. Currently New Mexico incentivizes rooftop solar via tax credits but has no complementary incentive for technology (such as distributed energy storage) that can be deployed to better manage the grid impact of these systems in a way that prioritizes efficiency and ratepayer affordability.

Furthermore, as transportation, building, and industrial electrification increase electricity demand in New Mexico, distributed energy storage systems can flex load to off-peak hours and increase the utilization rate of existing grid assets, benefiting utility ratepayers by reducing the need to meet growing peaks with costly, new utility-scale resources such as natural gas peaker plants and associated grid buildout. Peak reduction also lessens the strain on power system components that are in short supply and would otherwise need to be upgraded (see U.S. transformer shortage), achieving efficiencies that defer expensive infrastructure upgrades and support ratepayer affordability.

Finally, as New Mexico faces more frequent and increasingly severe weather events, distributed

energy storage systems support customer resiliency by extending the power flow from distributed solar PV into non-daylight hours and reducing reliance on fuel-limited diesel back-up generation. For example, owners/operators of locally-defined critical facilities that are tax-paying entities could take advantage of this tax credit to support community resilience by “islanding” or maintaining electrical power in that building even when the main grid is down

**With respect to HB 51, EMNRD has two specific concerns:**

- 1) **Refundability.** Based on EMNRD’s experience administering similar tax credits, EMNRD recommends the sponsors consider making this tax credit refundable. This provides a better benefit to the taxpayer and reduces administrative work. If this tax credit remains nonrefundable, EMNRD may need to seek an FTE to administer the credit.
- 2) **Credit and Credit Cap.** While battery prices have been declining and are slated to continue to decline in the coming years, the \$6,000 tax credit cap is unlikely to meet this bill’s objective of covering 40% of energy storage costs before the incentive sunsets in 2030. This is partly because average distributed storage system sizes are likely to *increase* in the near future as utilities adopt time-of-use pricing (as stipulated in recent New Mexico Public Regulatory Commission dockets<sup>1</sup>) in the late 2020s. Moreover, given the possible repeal of federal energy storage tax incentives, plus possible tariffs on battery exporters, cost declines could be less dramatic than previously anticipated. Raising the credit cap to \$7,500 might better align the cap with the bill’s objectives.

The table below was derived using input price forecasts from the National Renewable Energy Laboratory’s 2024 Annual Technology Baseline to model the pre-federal tax incentive installation costs for three different battery systems and coverage at two different tax credit caps.

	2024	2025	2026	2027	2028	2029	2030
<b>Small Energy Storage System (5 kW)</b>	\$18,610	\$17,668	\$17,125	\$16,639	\$16,213	\$15,797	\$15,419
<b>Average Energy Storage System (7 kW) (most likely)</b>	\$26,054	\$24,736	\$23,975	\$23,295	\$22,699	\$22,116	\$21,586
<b>Large Energy Storage System (10 kW)</b>	\$37,220	\$35,337	\$34,251	\$33,279	\$32,427	\$31,594	\$30,837
<b>Tax Credit Coverage</b>							
	2024	2025	2026	2027	2028	2029	2030
<b>Small Battery Coverage (w/ 6k Tax Credit)</b>	32%	34%	35%	36%	37%	38%	
<b>Medium Battery Coverage (w/ 6k Tax Credit)</b>	23%	24%	25%	26%	26%	27%	
<b>Large Battery Coverage (w/ 6k Tax Credit)</b>	16%	17%	18%	18%	19%	19%	
	2024	2025	2026	2027	2028	2029	2030
<b>Small Battery Coverage (w/ 7.5k Tax Credit)</b>	40%	42%	44%	45%	46%	47%	
<b>Medium Battery Coverage (w/ 7.5k Tax Credit)</b>	29%	30%	31%	32%	33%	34%	
<b>Large Battery Coverage (w/ 7.5k Tax Credit)</b>	20%	21%	22%	23%	23%	24%	

**PERFORMANCE IMPLICATIONS**

**ADMINISTRATIVE IMPLICATIONS**

EMNRD’s Energy Conservation and Management Division will be required to develop and adopt rules, establish the program certification and administrative certification processes. EMNRD estimates this will require an additional FTE (if the credit remains nonrefundable), and a quarter of an FTE’s time to develop the online portal. In addition, EMNRD, possibly through the division’s

<sup>1</sup> See recommended decisions and stipulated agreements in NMPRC Dockets 21-00269-UT, 22-00-178-UT, and 22-00058-UT

IT, would need to design an online application portal. Depending on the complexity of the final language of any law here, this can likely be achieved with existing staff, as ECAM's tax bureau is increasingly able to automate transactions.

#### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB 51 complements the New Solar Market Development Tax Credit (NSMDTC), as distributed energy storage systems balance the grid impact of distributed solar generation. If a battery storage system has already been certified through NSMDTC then the applicant should be limited in any claim on the same system for this energy storage tax credit.

#### **TECHNICAL ISSUES**

HB51 requires energy storage systems to be tested and certified by a recognized testing laboratory for tax credit eligibility. Since batteries are becoming more mainstream and common, the language could be modified to require that tax credit-eligible systems are "commercially available" to reduce confusion and delays surrounding eligibility.

#### **OTHER SUBSTANTIVE ISSUES**

N/A

#### **ALTERNATIVES**

#### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

An additional energy storage tax credit will not be established, and adverse grid impacts of distributed solar system and load growth will not be further mitigated.

#### **AMENDMENTS**