LFC Requester:	

AGENCY BILL ANALYSIS

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 X **Amendment** ____

Correction **Substitute** ____

___ ____

Date 01/31/2025

Bill No: HB213

Sponsor:	Reps. Joanne J. Ferrary and Kathleen Cates and Debra M. Sariñana	**Agency Name and Code Number**:	EMNRD 521
Short Title:	School Solar Income Tax Credit	**Person Writing**:	Samantha Kao
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	**FY27**		

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	**FY27**	**FY28**		
(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)	

(Parenthesis ( ) Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	75 (FTE) 75 (IT)	75	75	300.0	Recurring Nonrecurring	GF

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
HB211 Quantum Testing & Evaluation GRT Credit

Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:
HB 213 creates a new tax credit incentive against personal and corporate income tax for taxable years prior to Jan. 1, 2037, in the Income Tax Act for installing a photovoltaic system on public school property or the property of a public post-secondary educational institution for the purpose of providing electricity to the school's or educational institution's buildings in New Mexico.

New Mexico taxpayers would apply to the Energy, Minerals and Natural Resources Department (EMNRD) for a certification of eligibility through EMNRD's electronic platform.

The tax credit amount is equal to forty percent (40%) of either the cost to install the photovoltaic system **or** the value of the system as determined by a licensed appraiser and as established by the taxpayers' application for federal tax credits for the system.

HB 213 outlines the prescribed supporting documentation. If the energy, minerals and natural resources department determines that the taxpayer meets the requirements to claim the tax credit, that department shall issue a dated certificate of eligibility to taxpayer providing the amount of the tax credit for which the taxpayer is eligible and the taxable year in which the credit may be claimed.

To receive the tax credit, a taxpayer shall claim the credit on Income Tax forms and in the manner prescribed by the Taxation Revenue Department. That portion of tax credit that exceeds a taxpayer's tax liability in the taxable year in which the credit is claimed shall be refunded to the taxpayer. The tax credit can be sold, exchanged, or otherwise transferred.

The total aggregate credit is three hundred million dollars ($300,000,000) total, over the lifetime of the credit, and the maximum that may be certified for a calendar year prior to 2028 is one hundred million dollars ($100,000,000).

FISCAL IMPLICATIONS
HB 213 will create a new school solar tax credit incentive program, requiring EMNRD to promulgate a new rule and administer the tax credit. An additional FTE will be required for EMNRD's tax credit incentive team and will need one-time IT services to design, develop, and implement web portals.

HB213 does not specify an annual cap for this tax credit for the last eight years of the program, only a total cap and annual caps up to calendar year 2028 (or for CY 25, 26, and 27). Therefore,

it is slightly unclear whether the total aggregate credit allocated is $300,000,000 in total, over the lifetime of the credit, or just for the first year.

SIGNIFICANT ISSUES

Public schools and public post-secondary educational institutions are uniquely positioned to benefit from on-site solar, with the potential for significant cost savings and resilience through appropriately sized installations. HB 213 helps enable these savings by establishing a corporate tax credit for entities that install distributed solar systems at public schools. By incentivizing private investment, these tax credits maximize the impact of state funding for distributed generation projects, "stretching" outlay dollars. As a result, with this bill more schools can access solar energy, reducing operational costs while improving the overall cost-benefit ratio of these projects.

There are two value propositions supported by HB 213. The school solar corporate tax credit could incentivize energy savings contractor (ESCO) power purchase agreements (PPAs) where companies own the systems installed and sell power to schools at a discounted rate. The six existing ESCO PPAs in New Mexico currently save participating municipalities over $180 thousand per year on average or $4 million over the 22.5-year average contract duration. School districts with comparable savings from this bill could conceivably hire 3 new teachers per year at the base level 1 salary for New Mexico in FY231.

Additionally, companies might be well positioned to take advantage of school solar tax credits given their large tax liabilities and incentives to improve corporate ESG ratings to attract impact investors. Corporate tax credits could amplify the impact of state dollars by leveraging private support to finance projects that lower school district operating costs.

Transferability is important to the success of this tax credit, given many ESCOs and large corporations in pursuit of ESG ratings may not have sufficiently large New Mexico state tax liabilities.

PERFORMANCE IMPLICATIONS

HB 213's tax credit incentive for the purchase of a solar installation has different parameters than the existing New Solar Market Development Tax credit for individual taxpayers. The eligible costs, tax credit amount and aggregate tax credit allocated by the state are different, creating the need for EMNRD to stand up an entirely new program. Adding another tax credit program to EMNRD's certification responsibilities without adding additional FTE and IT resources could slow down processing for all tax credit certifications.

ADMINISTRATIVE IMPLICATIONS

EMNRD would need to promulgate a new rule and stand up a new application process for this tax credit certification.

EMNRD FTE would be handling IRS data and may have to obtain annual privacy and disclosure training required by IRS.

Effectuating this bill would require collaboration between EMNRD's IT department and the NM Taxation and Revenue Department (TRD) to electronically transmit electronic data to TRD. The

departments already collaborate on other credits, so this will not require new work, just more of it.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP
HB 213 relates to HB 211, which also proposes changes to the state solar tax credit program.

TECHNICAL ISSUES
HB 213 does not specify an annual cap for this tax credit in years after calendar year 2027, only a total cap through the end of calendar year 2036.
For application purposes, the taxpayer should be required to apply no later than twelve months following the date when the relevant utility gives permission to operate the solar system.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL
Fewer individuals will be incentivized to install solar photovoltaic systems on public school district property or on the property of public post-secondary educational institutions around the state of New Mexico, resulting in fewer of those educational entities benefitting from reduced operating costs and renewable energy.

AMENDMENTS