| LFC Requester: | |
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# AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**
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***(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}***

**Date Prepared**: 2/23/2025
**Bill Number:** HB472

*Check all that apply:*
Original X Correction __
Amendment __ Substitute __

**Sponsor:** Jonathan A. Henry, Rebecca Dow
**Short Title:** Abandoned Building Revitalization Tax Credit

**Agency Name and Code Number**: Economic Development Department 41900
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## SECTION II: FISCAL IMPACT

**APPROPRIATION (dollars in thousands)**

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|
| FY25 | FY26 | | |
| | | | |
| | | | |

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|---|
| FY25 | FY26 | FY27 | | |
| | | | | |
| | | | | |

(Parenthesis ( ) indicate revenue decreases)

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

| | FY25 | FY26 | FY27 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|---|---|---|
| **Total** | $100.00 | $100.00 | $100.00 | $300.00 | Recurring | General Fund |

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

House Bill 472 (HB472) creates the abandoned building revitalization corporate income tax credit under the Corporate Income and Franchise Tax Act.

A taxpayer who incurs rehabilitation expenses for the rehabilitation of an abandoned building in New Mexico from January 1, 2025, to January 1, 2036, may claim the abandoned building revitalization corporate income tax credit against corporate income tax liability.

The credit equals 25 percent of rehabilitation expenses incurred, up to a maximum of $700,000 per taxpayer, provided that the rehabilitation expenses are between 80 percent and 125 percent of the estimated expenses stated in the notice of intent to rehabilitate.

Before incurring rehabilitation expenses, a taxpayer must apply for pre-certification from the Economic Development Department (EDD) using the required forms and procedures. The application must include a proposal for the abandoned building rehabilitation project and a notice of intent to rehabilitate. If EDD determines that the projected costs are likely to qualify, it issues a pre-certification to the taxpayer; however, pre-certification does not guarantee that the actual costs will be approved for the tax credit.

The total amount of credits certified as eligible is $20,000,000 per calendar year. Applications are processed in the order received, and eligible taxpayers receive a dated certificate of eligibility with the approved credit amount. Once the total annual limit is reached, no further applications are approved.

A certificate of eligibility may be sold, exchanged, or transferred to another taxpayer for its full value. The parties involved in such transactions must notify the Taxation and Revenue Department (TRD) within 10 days of the transaction. A taxpayer must claim the credit using the forms and procedures required by TRD within 12 months after the calendar year of the certificate of eligibility issuance. If the credit amount exceeds a taxpayer’s income tax liability, the excess may be carried forward for five consecutive taxable years.

The credit must be included in the tax expenditure budget with the annual aggregate cost.

An abandoned building is a structure or part of a structure in New Mexico that has been unoccupied and non-operational for income-producing purposes for at least five years before filing a notice of intent to rehabilitate. A building site is an abandoned building and the parcel of land upon which it is located. A notice of intent to rehabilitate is a letter submitted by a taxpayer before incurring rehabilitation expenses, detailing the building’s location, estimated expenses, and proposed use. A building is considered placed in service when rehabilitation is complete and ready for its intended use. Rehabilitation expenses include capital expenditures for renovation or redevelopment, such as structural repairs, environmental remediation, site improvements, and new construction, but exclude costs for acquisition and personal property.

The provisions of this act apply to taxable years beginning on or after January 1, 2025, and are repealed effective January 1, 2037.

**FISCAL IMPLICATIONS**

EDD may require one additional staff member to fulfill the duties and responsibilities outlined in the bill, with costs estimated at $100,000, including employee benefits.

**SIGNIFICANT ISSUES**

Abandoned commercial buildings once housed vibrant storefront commercial businesses that at one point generated a profit. Examples of these commercial or retail uses include “five and dime” stores, offices, and restaurants. Now vacant, many of these commercial buildings are either historic, architecturally significant, or located within designated historic districts. These buildings contribute to a community’s downtown center and MainStreet’s unique character and its potential to revitalize. The challenge for building owners and potential property developers is that these vacant commercial buildings, which were once banks, hotels, department stores, churches, and theaters, may be costly to adapt, rehabilitate and repurpose for other uses.

When commercial buildings stay vacant, their declining status leads to blight, discourages economic development, diminishes property values, and can act as fire hazards and magnets for crime. Some vacant commercial property owners use their buildings for storage, in the same way a residential neighbor might use their broken car or RV for storage. In many cases, the building is “under-utilized,” in that it does not economically perform as a commercial structure would in generating income for the business/property owner and gross receipts tax for the local government.

Properties that are vacant over time also become the victims of deferred maintenance, leading to problems with the building’s roof, foundation, electrical, plumbing, and HVAC systems. Under such conditions, buildings become dilapidated and irreparable and can be declared a public nuisance, or even demolished, further burdening taxpayers with the demolition and the cost for the remediation of vacant lots. As such, local governments are often forced to prioritize whether to undertake the costs associated with removal of these abandoned buildings, and remediation of derelict properties or providing for the community’s basic needs, such as sanitation, water, street repairs, fire and police protection.

The New Mexico Economic Development Department through New Mexico MainStreet Capital Outlay allocations from the Legislature is currently making targeted investments in upgrading the public infrastructure and streetscapes in MainStreet and Art & Cultural Districts as commercial centers with severe safety and infrastructure issues deter private reinvestment. These targeted infrastructure investments along with the passage of HB 472 are likely to stimulate economic development by encouraging the rehabilitation of abandoned buildings and putting these vacant buildings back to productive use, which can revitalize blighted areas, attract new businesses, and increase property values. The tax credit also incentivizes private investment in underutilized properties, potentially leading to job creation in construction, real estate, and local businesses. Additionally, rehabilitated buildings can expand commercial activity, generate higher tax revenues, and improve community aesthetics and safety.

The provision allowing credit transferability also greatly increases accessibility for property owners and small developers who may not immediately benefit from the tax credit or don’t have enough tax liability to claim the full benefits of the credit over the allotted five years. However, as the certification for the credit is granted in the order applications are received (first come, first serve basis) it may disproportionately favor larger developers with greater access to financing, making it more difficult for smaller businesses or local property owners to utilize the program. Additionally, rising property values following rehabilitation could lead to higher rents, potentially displacing small businesses or low-income residents in revitalized areas.

**PERFORMANCE IMPLICATIONS**

**ADMINISTRATIVE IMPLICATIONS**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

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

**AMENDMENTS**