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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>HB213</u>	Sponsor	<u>Ferrary/Cates/Sariñana</u>
Tracking Number	<u>.229676.3</u>	Committee Referrals	<u>HENRC/HTRC</u>
Short Title	<u>School Solar Tax Credits</u>		
Analyst	<u>Montoya</u>	Original Date	<u>2/7/2025</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

House Bill 213 (HB213) would amend the Income Tax Act by creating a new tax credit called the school solar tax credit. The school solar tax credit would be available to any individual that pays personal income tax and purchases and installs a photovoltaic (PV) system on school property, or the property of a public postsecondary educational institution. Under HB213, schools would not be considered taxpayers.

Taxpayers may claim a credit equal to 40 percent of the total cost of the system, including the costs associated with installation, engineering, permitting, and other associated costs, or 40 percent of the system's value determined by a licensed appraiser. The total aggregate dollar amount of credits that may be certified under the program is \$100 million until the end of calendar year 2027, at which point the cap would increase to \$300 million. The tax credit would be available for taxable years beginning on or after January 1, 2025, and available until January 1, 2037.

Taxpayers must apply for certification through the Energy, Minerals and Natural Resources Department (EMNRD). EMNRD will issue a certificate of eligibility if the taxpayer meets the requirements, specifying the credit amount and applicable tax year. To claim the credit, taxpayers must follow Taxation and Revenue Department guidelines. Any excess credit beyond the taxpayer's liability is refundable, and the credit may be sold, exchanged, or transferred.

FISCAL IMPACT

HB213 does not contain an appropriation.

PV systems are investments that can lead to long-term energy cost savings over their lifespan. Analysis from the Public School Facilities Authority (PSFA) from the 2023 legislative session estimated the cost of outfitting schools with PV systems would range from \$550 thousand to \$2 million per school, depending on the size of the school and the amount of energy the school wishes to produce using solar panels. According to Education Week, a publication focused on topics

related to kindergarten through 12th grade (K-12) education in the United States, the cost of non-residential solar projects has decreased by more than 70 percent over the past decade.

HB213 could have a negative impact on general fund revenues depending on the number of taxpayers that purchase a PV system for a school and claim the tax credit. The exact fiscal impact depends on the number of systems purchased for schools and the values of those systems. At most, the impact would be \$100 million before the end of 2027, and \$300 million throughout the life of the program.

Schools with PV systems could see a reduction to electricity utility costs. Information from the Operating Budget Management System (OBMS) shows public schools statewide spent a grand total of \$43.7 million on electricity in FY24.

SUBSTANTIVE ISSUES

HB213 would create an incentive for individuals and companies to purchase PV systems for schools, potentially allowing those individuals and companies to install the systems and lease them to schools at a fraction of their total cost. Currently, the state does not provide funding to public schools for PV systems unless a legislator makes a direct appropriation to a school district or charter school for that purpose. For instance, in FY23, three schools in Albuquerque received appropriations totaling \$242 thousand in House Bill 505 to “improve energy efficiency and water conservation, including...solar panels.”

PV systems fall outside of the [statewide adequacy standards](#), a set of standards maintained by PSFA that govern the minimum requirements schools must meet to be “adequate” for students’ education. For this reason, PV systems are typically not funded when the Public School Capital Outlay Council awards funding for a school replacement. Some schools, like those in Albuquerque, Las Cruces, Santa Fe, and Rio Rancho, have opted to purchase PV systems at their own expense, but school districts with insufficient local revenue may currently be unable to afford the option. HB213 may make PV systems more affordable for school districts, depending on whether taxpayers elect to donate PV systems or enter lease agreements that pass the tax credit savings along to schools. However, the state would bear some of the costs via the new tax credit.

ADMINISTRATIVE IMPLICATIONS

EMNRD would be the agency responsible for administering the school solar tax credit proposed by HB213. According to analysis from EMNRD, the department would need to promulgate rules, establish an application process for school solar tax credits, hire additional FTE, and devote IT resources to design, develop, and implement web applications to support the proposed tax incentive program.

RELATED BILLS

Relates to House Bill 128, NMFA Local Solar Access Fund, which would establish the local solar access fund, appropriate \$60 million from the general fund to EMNRD for the proposed fund.

Relates to Senate Bill 48, Community Benefit Fund, which would create a community benefit fund for projects that would meet certain requirements, such as reducing the effects of climate change on the natural environment.

Relates to Senate Bill 49, Community Benefit Fund Transfers, which is contingent on Senate Bill 48 and would authorize transfers from the proposed fund.

SOURCES OF INFORMATION

- LESC Files
- Energy, Minerals, and Natural Resources Department (EMNRD)

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