

1 HOUSE BILL 506

2 **57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025**

3 INTRODUCED BY

4 Art De La Cruz and Luis M. Terrazas and Doreen Y. Gallegos
5 and Mark Duncan
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10 AN ACT

11 RELATING TO TAXATION; CREATING THE HOTEL RENOVATION INCOME TAX
12 CREDIT AND THE HOTEL RENOVATION CORPORATE INCOME TAX CREDIT.
13

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

15 SECTION 1. A new section of the Income Tax Act is enacted
16 to read:

17 "[NEW MATERIAL] HOTEL RENOVATION INCOME TAX CREDIT.--

18 A. A taxpayer who is not a dependent of another
19 individual and who, beginning on the effective date of this
20 section and prior to January 1, 2035, incurs qualifying costs
21 for a hotel renovation project may claim a credit against the
22 taxpayer's tax liability imposed pursuant to the Income Tax
23 Act. The tax credit provided by this section may be referred
24 to as the "hotel renovation income tax credit".

25 B. The credit provided by this section shall be in

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1 an amount equal to the following percentages of qualifying
2 costs incurred by a taxpayer for a hotel renovation project:

3 (1) thirty percent of qualifying costs for a
4 hotel that receives a certification level of LEED-NC silver; or

5 (2) twenty percent of qualifying costs.

6 C. Prior to beginning a hotel renovation project, a
7 taxpayer shall apply for pre-certification from the tourism
8 department, on forms and in the manner prescribed by the
9 tourism department. The application shall include a proposal
10 for the hotel renovation project, including a detailed
11 description of the project, projected costs, the expected
12 beginning and completion dates and a hotel renovation project
13 plan, including phases of construction, if any. If the tourism
14 department determines that the projected costs are likely to
15 meet the requirements for qualifying costs, it shall issue a
16 pre-certification to the taxpayer; provided that pre-
17 certification received pursuant to this subsection shall not
18 mean that the actual costs for the hotel renovation project
19 will be approved for a credit provided by this section.

20 D. Within one calendar year of completion of a
21 hotel renovation project, the taxpayer shall apply for
22 certification of eligibility from the tourism department on
23 forms and in the manner prescribed by the tourism department
24 and including an affidavit from a certified public accountant
25 verifying that the qualifying costs were incurred by the

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1 taxpayer and meet the requirements of this section. The
2 aggregate amount of credits that may be certified as eligible
3 in a calendar year is thirty million dollars (\$30,000,000).
4 Completed applications shall be considered in the order
5 received. If a taxpayer is eligible for the credit, a dated
6 certificate of eligibility shall be issued to the taxpayer
7 providing the amount of credit for which the taxpayer is
8 eligible; provided that applications for certification received
9 after the limitation on the aggregate amount of credits has
10 been met in a calendar year shall not be approved.

11 E. That portion of approved credit claimed by a
12 taxpayer that exceeds the taxpayer's income tax liability in
13 the taxable year in which the credit is claimed may be carried
14 forward for five consecutive taxable years.

15 F. Married individuals filing separate returns for
16 a taxable year for which they could have filed a joint return
17 may each claim only one-half of the credit that would have been
18 claimed on a joint return.

19 G. A taxpayer may be allocated the right to claim
20 the credit provided by this section in proportion to the
21 taxpayer's ownership interest if the taxpayer owns an interest
22 in a business entity that is taxed for federal income tax
23 purposes as a partnership or limited liability company and that
24 business entity has met all of the requirements to be eligible
25 for the credit. The total credit claimed by all members of the

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1 partnership or limited liability company shall not exceed the
2 allowable credit pursuant to this section.

3 H. A taxpayer allowed a credit pursuant to this
4 section shall report the amount of the credit to the taxation
5 and revenue department on a form and in a manner required by
6 the department.

7 I. The credit provided by this section shall be
8 included in the tax expenditure budget pursuant to Section
9 7-1-84 NMSA 1978, including the annual aggregate cost of the
10 credit.

11 J. As used in this section:

12 (1) "hotel" means a building in New Mexico:

13 (a) where, for consideration, lodging is
14 regularly furnished to the general public; and

15 (b) that provides at least fifteen guest
16 rooms or suites for overnight guest use;

17 (2) "hotel renovation project" means the
18 restoration, renovation and rehabilitation of at least forty
19 percent of the guest rooms or suites of a hotel. "Hotel
20 renovation project" does not mean new construction;

21 (3) "LEED-NC silver" means the rating in
22 compliance with, or exceeding, the third-highest rating awarded
23 by the LEED certification process for new buildings and major
24 renovations. As used in this paragraph, "LEED" means the most
25 current leadership in energy and environmental design green

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1 building rating system guidelines developed and adopted by the
2 United States green building council; and

3 (4) "qualifying costs" means costs incurred by
4 the taxpayer:

5 (a) for planning, designing,
6 construction and construction-related equipment for the
7 restoration, renovation and rehabilitation of a hotel;

8 (b) in an amount equal to or greater
9 than: 1) twenty-five thousand dollars (\$25,000) in a county
10 with a population of fifteen thousand or less according to the
11 most recent federal decennial census; or 2) forty thousand
12 dollars (\$40,000) in a county with a population greater than
13 fifteen thousand according to the most recent federal decennial
14 census; and

15 (c) that shall not include any amount
16 for which a tax credit pursuant to the federal new markets tax
17 credit has been claimed pursuant to Section 45D of the Internal
18 Revenue Code, as that section may be amended or renumbered."

19 SECTION 2. A new section of the Corporate Income and
20 Franchise Tax Act is enacted to read:

21 "[NEW MATERIAL] HOTEL RENOVATION CORPORATE INCOME TAX
22 CREDIT.--

23 A. A taxpayer that, beginning on the effective date
24 of this section and prior to January 1, 2035, incurs qualifying
25 costs for a hotel renovation project may claim a credit against

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1 the taxpayer's tax liability imposed pursuant to the Corporate
2 Income and Franchise Tax Act. The tax credit provided by this
3 section may be referred to as the "hotel renovation corporate
4 income tax credit".

5 B. The credit provided by this section shall be in
6 an amount equal to the following percentages of qualifying
7 costs incurred by a taxpayer for a hotel renovation project:

8 (1) thirty percent of qualifying costs for a
9 hotel that receives a certification level of LEED-NC silver; or

10 (2) twenty percent of qualifying costs.

11 C. Prior to beginning a hotel renovation project, a
12 taxpayer shall apply for pre-certification from the tourism
13 department, on forms and in the manner prescribed by the
14 tourism department. The application shall include a proposal
15 for the hotel renovation project, including a detailed
16 description of the project, projected costs, the expected
17 beginning and completion dates and a hotel renovation project
18 plan, including phases of construction, if any. If the tourism
19 department determines that the projected costs are likely to
20 meet the requirements for qualifying costs, it shall issue a
21 pre-certification to the taxpayer; provided that pre-
22 certification received pursuant to this subsection shall not
23 mean that the actual costs for the hotel renovation project
24 will be approved for a credit provided by this section.

25 D. Within one calendar year of completion of a

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1 hotel renovation project, the taxpayer shall apply for
2 certification of eligibility from the tourism department on
3 forms and in the manner prescribed by the tourism department
4 and including an affidavit from a certified public accountant
5 verifying that the qualifying costs were incurred by the
6 taxpayer and meet the requirements of this section. The
7 aggregate amount of credits that may be certified as eligible
8 in a calendar year is thirty million dollars (\$30,000,000).
9 Completed applications shall be considered in the order
10 received. If a taxpayer is eligible for the credit, a dated
11 certificate of eligibility shall be issued to the taxpayer
12 providing the amount of credit for which the taxpayer is
13 eligible; provided that applications for certification received
14 after the limitation on the aggregate amount of credits has
15 been met in a calendar year shall not be approved.

16 E. That portion of approved credit claimed by a
17 taxpayer that exceeds the taxpayer's income tax liability in
18 the taxable year in which the credit is claimed may be carried
19 forward for five consecutive taxable years.

20 F. A taxpayer allowed a credit pursuant to this
21 section shall report the amount of the credit to the taxation
22 and revenue department on a form and in a manner required by
23 the department.

24 G. The credit provided by this section shall be
25 included in the tax expenditure budget pursuant to Section

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1 7-1-84 NMSA 1978, including the annual aggregate cost of the
2 credit.

3 H. As used in this section:

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6 regularly furnished to the general public; and

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8 rooms or suites for overnight guest use;

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10 restoration, renovation and rehabilitation of at least forty
11 percent of the guest rooms or suites of a hotel. "Hotel
12 renovation project" does not mean new construction;

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14 compliance with, or exceeding, the third-highest rating awarded
15 by the LEED certification process for new buildings and major
16 renovations. As used in this paragraph, "LEED" means the most
17 current leadership in energy and environmental design green
18 building rating system guidelines developed and adopted by the
19 United States green building council; and

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21 the taxpayer:

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25 (b) in an amount equal to or greater

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2 with a population of fifteen thousand or less according to the
3 most recent federal decennial census; or 2) forty thousand
4 dollars (\$40,000) in a county with a population greater than
5 fifteen thousand according to the most recent federal decennial
6 census; and

7 (c) that shall not include any amount
8 for which a tax credit pursuant to the federal new markets tax
9 credit has been claimed pursuant to Section 45D of the Internal
10 Revenue Code, as that section may be amended or renumbered."

11 SECTION 3. APPLICABILITY.--The provisions of this act
12 apply to taxable years beginning on or after January 1, 2025.