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FISCAL IMPACT REPORT

SPONSOR: Lujan DATE TYPED: 02/23/01 HB 894

SHORT TITLE: Renewable Energy Income Tax Credit SB _____

ANALYST: Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	\$ 100.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (See Text)

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	Loss		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to SB 325

SOURCES OF INFORMATION

LFC Files
 Public Regulation Commission
 Energy, Minerals and Natural Resources Department (EMNRD)

No Response
 Taxation and Revenue Department

SUMMARY

Synopsis of Bill

The bill provides personal income tax credits for renewable energy and appropriates \$100.0 from the general fund to public regulation commission for 1 FTE to administer the tax credit claim program.

The bill authorizes a renewable energy investment credit for small energy producers owning a qualified generator. The credit is equal to 20 percent of the cost of the equipment used exclusively for generation using a qualified energy resource, up to \$50,000. If the credit amount exceeds taxpayer liability, then the credit may be carried forward for up to five years. The qualifying capital is defined as tangible, depreciable personal property with a useful life of at least three years which is used exclusively as an integral part of the equipment used to generate electricity using a qualified energy resource. A qualified energy resource is defined as electrical energy generated by a low- or zero-emissions generation technology with substantial long-term production potential and includes generation from solar light, solar heat, wind, geothermal, landfill gas, anaerobically digested waste biomass and fuel cells. The small energy producer must have ownership of qualifying generating facilities with net production capability of less than 10 MW.

The bill also authorizes a renewable energy production credit for owners of qualified energy generators of \$0.015 per kWh of electricity produced. The production credit is authorized for ten years, beginning on the date the qualified generator begins producing electricity. The taxpayer must submit a claim for the tax credit to the PRC. Total tax credits approved by the PRC are limited to \$8 million on a first-come, first-served basis. Upon receipt of a production tax credit for a given facility, the taxpayer may retain the original date of application until the facility goes out of business or until the facility's ten year eligibility expires.

The bill is applicable to tax years beginning January 1, 2001, and includes an effective date of July 1, 2001.

Significant Issues

PRCD notes the bill is somewhat duplicative of 62-3A-15 NMSA 1978 regarding system benefits fund provisions of the Electric Utility Industry Restructuring Act.

FISCAL IMPLICATIONS

The appropriation of \$100.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY02 shall revert to the general fund.

The tax credit provisions would result in a loss of general fund recurring revenues. The production tax credit is capped at \$8 million; the other credit is not capped. Upon receipt of the TRD analysis of the fiscal impacts, this report will be updated.

OTHER SUBSTANTIVE ISSUES

PRC notes renewable energy technologies should be more competitive on a stand-alone basis and in need of less subsidization by taxpayers.

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PRC suggests under the Electric Utility Industry Restructuring Act, the secretary of environment is charged with all aspects of administering the system benefits fund for renewable technologies. Therefore, it may be administratively efficient for this legislation to dovetail with those efforts, rather than the PRC.

EMNRD notes that wind energy is becoming commercially viable, but fuel cells are currently too expensive to be commercially feasible.

AW/ar