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FISCAL IMPACT REPORT



SPONSOR: Lujan DATE TYPED: 1-31-02 HB 233

SHORT TITLE: Renewable Energy Production Tax Credit SB _____

ANALYST: Neel

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	\$100.0			Non-Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)- In thousands

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$300.0)	(\$300.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases) In thousands

Duplicates SB 187

SOURCES OF INFORMATION

LFC files
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 233 enacts a new section of the Corporate Income and Franchise Tax Act to allow for a tax credit of (\$.01) per kilowatt-hour for the first 400,000 megawatt-hours of electricity produced by a qualified energy generator. The taxpayer is eligible for a credit for 10 consecutive years.

In order to be eligible a “qualified energy generator” must have capacity of at least 20 Megawatts and be located in New Mexico. “Qualified Energy Resources” are defined as resources that generate electricity by a zero-emissions generation technology that has substantial long-term production potential and uses solar light, solar heat, or wind.

The Energy, Minerals and Natural Resources Department (EMNRD) is tasked with certifying a taxpayer’s eligibility and for promulgating rules governing procedures under HB 233. Moreover, HB 233 places a ceiling of 800 megawatt-hours for all “qualified Energy Generators” in any one year.

To claim the tax credit, the taxpayer must submit to TRD certification from EMNRD documenting the amount of electricity produced by the taxpayer’s facility and any other documentation required by TRD. The tax credit may be deducted from a taxpayer’s New Mexico Corporate Income Tax liability for the taxable year or it can be carried forward for up to five years if the credit exceeds their liability in any tax year.

FISCAL IMPLICATIONS

TRD’s fiscal impact notes the following assumptions :

- the annual impacts for a single 40 megawatt facility;
- capital cost of the facility is assumed to be \$30 million, and equity financing is assumed to represent 50% of this capital;
- 40% availability factor, the facility would generate \$1.4 million in tax credits each year;
- corporate tax liability under the above assumptions would be limited to a few hundred thousand dollars per year.

The appropriation of \$100.0 to EMNRD contained in this bill is a non-recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY 30 shall revert to the General Fund.

ADMINISTRATIVE IMPLICATIONS

TRD notes that the one-time appropriation of \$100.0 maybe inadequate for EMNRD.

TECHNICAL ISSUES

TRD notes that many corporations operate through a system of subsidiary firms. It is unclear whether the proposed measure is intended to prevent families of firms from receiving the credits. In other terms, language in the measure specifying "unrelated person" should be clarified.

SN/njw:ar