

LFC Requester: _____

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

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

Date 1/29/2025
Bill No: HB 176

Sponsor: Reps. Vincent, Terrazas and Dow
Short Title: _____

Agency Name and Code EMNRD 521
Number: _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
Indeterminate - \$5m or less	Indeterminate - \$5m or less	Recurring	GF

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	75 75	75 0	75 0	300 -	Recurring Nonrecurring	GF GF

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
HB 51 Energy Storage Income Tax Credit

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: This bill establishes a backup power generator personal income tax credit for New Mexico taxpayers who purchase and permanently install a backup power generator on or after March 1, 2025. The credit is available to taxpayers who are not a dependent of another individual and is designed to provide a 50% credit of the total purchase and installation costs of the generator. The credit is refundable if it exceeds the taxpayer's tax liability for the year in which it is claimed.

The credit is capped at \$5 million annually for all applicants combined. Taxpayers must apply for certification of eligibility from the Energy, Minerals, and Natural Resources Department (EMNRD), which will administer the credit by issuing certificates stating the amount of credit allowed and the taxable year in which it can be claimed. Only one credit will be certified per taxpayer, with special provisions for business entities and married individuals filing separately.

The credit will be available for taxable years beginning on or after January 1, 2025, and will be repealed on January 1, 2035. The credit must be reported as part of the state's tax expenditure budget. The definition of "backup power generator" is provides "a device that automatically provides power when the main power source fails."

FISCAL IMPLICATIONS

There will be a moderate fiscal impact on EMNRD as the department will be responsible for certifying eligibility and tracking the distribution of credits. At least one new FTEs are expected to be needed, plus EMNRD ITO will need to cover initial design of the online application and maintenance. The \$5 million annual cap will create a financial limitation that the department must manage, with coordination required with the Taxation and Revenue Department for processing claims. Since the credit is refundable, there may be a short-term fiscal outflow from the state's general fund, particularly in the early years of the program. However, this impact is expected to be manageable as it is capped.

SIGNIFICANT ISSUES

Per the Income Tax Act, "'taxpayer' means any individual subject to the tax imposed by the Income Tax Act." Entities who can claim this credit are individuals. If the individual is the owner of an LLC (a single-member LLC), then they can also claim the credit for a backup generator for a business they own. Last, if the individual is a percentage owner/partner in a partnership or LLC, then they can claim that percentage of the credit. (The legislature may wish to consider alternative means to provide similar "backup generation" support for certain critical, but nontaxpaying, infrastructure facilities such as police departments, medical clinics, schools/shelters.)

The bill could improve energy resilience for households in New Mexico by incentivizing backup power generation systems. Such backup power could help individuals maintain essential activities

during power outages, such as food storage, medical care (e.g., power-operated home medical equipment), and communication (cell phones). This is especially important in communities vulnerable to severe weather or natural disasters, where prolonged outages can hinder these and other essential activities. New Mexico has experienced numerous such power outages lasting several days and disrupting public health, safety, and the economy. Outages can complicate emergency response and recovery efforts, especially in rural areas where power restoration can take much longer. Backup generators play a vital role in keeping essential services running with the electricity people need to stay safe.

This bill offers a 50% tax credit to help offset the cost of purchasing and installing backup generators. The cost of a whole-house generator in New Mexico typically ranges from \$5,500 to \$10,500, including installation fees, depending on the generator's size and complexity. With \$5 million allocated annually for the tax credit, the funding could potentially help 1,000 households per year (assuming an average cost of \$10,000 per generator) over a 10-year period. However, this credit helps only households that can afford the initial costs and then wait for a tax credit months later.

Proper installation, maintenance, and safety are crucial to the effectiveness of backup generators. Ensuring that generators are installed by licensed professionals guarantees they operate correctly when needed most. Regular maintenance is also essential for ensuring the system is reliable during outages. Additionally, safety considerations, such as proper ventilation and placement (e.g., for diesel generators), are important to prevent hazards like carbon monoxide poisoning or fire. Proper care and installation ensure these systems provide reliable power safely.

The bill's current definition of "back-up power generator" is broad. For instance, many New Mexicans either have or plan to install solar, storage, or solar-plus-storage systems. Some of these systems can automatically "island" and activate, thus potentially meeting the definition of a "back-up power generator" under this bill. However, it is unclear whether these systems would be eligible for multiple tax credits, including this credit, the existing New Solar Market Development Tax Credit, and the proposed Energy Storage Tax Credit.

Finally, the restriction to only "permanent" backup generators could limit access for individuals, particularly renters, who may not be able to install permanent systems in their homes. While permanent generators offer long-term solutions for energy resilience, portable generators can also provide significant benefits during power outages. They are more affordable, require less installation, and offer flexibility, making them a viable option for individuals who may not be able to invest in a permanent system.

With respect to this legislation, EMNRD notes several additional issues:

Omission of Corporate Tax Option. HB176 does not include a corporate tax credit option. Similar tax credits for equipment on residential and commercial property offer both an individual and corporate tax credit option.

Power limitations. The legislature may wish to consider adding minimum and maximum requirements around power (wattage) and duration, to, respectively, ensure adequate power while disallowing neighborhood- or community-scale "backup generators."

Eligibility. Other similar tax credits define eligible entities as property owners. However,

adding that definition would limit renter options (see above).

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

The bill will require EMNRD to complete a new rule and set up a new application process, including:

- ITO online web application design and development.
- Verification of eligibility for the credit.
- Issuing certificates to approved taxpayers.
- Tracking credit distribution and ensuring compliance with the \$5 million cap.

This process will require modifications to existing systems and additional resources in the initial stages of implementation. EMNRD would need one additional FTE, and initial ITO funds to meet these administrative needs.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to HB 51 Energy Storage Tax Credit. HB 51 is an incentive for behind-the-meter battery energy storage, which can also serve as back-up power for a household during an outage event.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill is not enacted, taxpayers will not be incentivized to purchase back-up generators for energy resilience.

AMENDMENTS