# FISCAL IMPACT REPORT

**BILL NUMBER:** House Bill 113
**SHORT TITLE:** Renewable Energy Production Tax Act

**SPONSOR:** Block
**LAST UPDATE:** **ORIGINAL DATE:** 1/24/26 **ANALYST:** Torres

**REVENUE***
**(dollars in thousands)**

| Type | FY26 | FY27 | FY28 | FY29 | FY30 | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|---|---|---|---|
| Renewable Energy Production Tax | | $21,400.0 | $50,100.0 | $50,400.0 | $54,800.0 | Recurring | Severance Tax Permanent Fund |

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

## Sources of Information
LFC Files

Agency or Agencies Providing Analysis
Energy, Minerals, and Natural Resources Department
New Mexico Public Regulation Commission

## SUMMARY

### Synopsis of House Bill 113

House Bill 113 (HB113) enacts the Renewable Energy Production Tax Act, imposing a new excise tax on the generation of electricity from renewable energy resources in New Mexico. The bill levies a tax equal to 3.75 percent of the taxable value of each megawatt-hour of electricity generated from renewable energy resources in the state. The taxable value is defined as the monthly average wholesale electricity price for the southwest regional market as established by the U.S. Energy Information Administration, and the taxable event occurs at the time electricity is generated.

The bill defines renewable energy resources to include solar, wind, hydropower, geothermal, and biomass, with biomass broadly defined to include agricultural and animal waste, small-diameter timber, phreatophytes, landfill gas, and anaerobically digested waste. The bill exempts electricity generated by the United States, the state or its political subdivisions, Indian nations and pueblos on sovereign territory, and foreign governments when required by treaty. Electricity produced for personal consumption is also exempt, including limited excess generation not exceeding 500 kilowatt-hours in a 24-hour period.

The tax is administered under the Tax Administration Act and is due monthly, on or before the twenty-fifth day of the month following production. Net receipts attributable to the renewable energy production tax are distributed entirely to the Severance Tax Permanent Fund (STPF).

The act applies to electricity generated on and after January 1, 2027, which is also the effective date of the bill.

## FISCAL IMPLICATIONS

Although no additional agency analysis was received in the time frame requested for this bill, estimates from House Bill 45 in the 2025 session were used from Energy, Minerals and Natural Resources Department (EMNRD), Taxation and Revenue Department (TRD), and Legislative Finance Committee (LFC) using similar data sources and methods. The average of the estimates is presented on page 1.

HB113 creates a new recurring revenue source dedicated to the Severance Tax Permanent Fund, increasing long-term permanent fund corpus and investment earnings while diverting revenues that would otherwise not be subject to taxation. The magnitude of the fiscal impact is potentially significant and depends on future renewable generation volumes, wholesale electricity prices, facility ownership structures, and exemption utilization.

New Mexico has experienced rapid growth in utility-scale solar and wind generation, particularly in eastern and southern regions of the state. Applying a 3.75 percent excise tax on wholesale value could generate tens of millions of dollars annually depending on capacity factors and market prices. Because revenues are deposited into the STPF rather than the general fund, the bill does not directly increase recurring general fund revenues but instead increases the long-term endowment earnings stream, which ultimately benefits the general fund through annual STPF distributions.

However, the tax effectively increases the cost of renewable electricity production in New Mexico. To the extent the tax is passed through to purchasers under power purchase agreements or wholesale market pricing, the tax may increase electricity costs for utilities and ratepayers or reduce net revenues to renewable developers. This will reduce the competitiveness of New Mexico renewable projects relative to projects in neighboring states that do not impose a similar production tax.

The Public Regulation Commission adds “HB113 conflicts with the Energy Transition Act. The Renewable Energy Act at Section 62-16-6 NMSA provides cost recovery from utility customers for the costs of adopting renewable energy measures aimed at meeting the state’s renewable energy goals. Those costs are to be deemed reasonable by the New Mexico Public Regulation Commission. The cost of taxing such energy would be passed onto the utility customer. Additionally, HB113 contradicts state tax credits for renewable energy resources and may disincentivize renewable energy generation in New Mexico.”

## SIGNIFICANT ISSUES

HB113 represents a major policy change by imposing a production-based excise tax on renewable electricity, aligning renewable energy more closely with New Mexico's historic taxation of extractive energy resources. The dedication of proceeds to the STPF reflects a policy choice to treat renewable generation as a long-term contributor to the state's permanent resource endowment.

However, the bill raises significant energy policy and economic development considerations. New Mexico has actively promoted renewable energy development through renewable portfolio standards, transmission investments, and tax incentives. Imposing a new production tax may partially offset those incentives and could affect the state's attractiveness for future renewable investment, particularly in highly competitive regional markets. This tax would conflict with several current tax incentives including:

- The Renewable Energy Production Tax Credit,
- The 2021 Sustainable Building Tax Credit,
- The Advanced Energy Equipment Tax Credit, and
- The Alternative Energy Product Manufacturers Tax Credit.

EMNRD highlights the following:

> A tax on electricity produced by renewables would increase retail electricity prices for New Mexican ratepayers as 52% of IOU produced/delivered electricity comes from renewable assets. Electricity prices are already increasing across the county (Bipartisan Policy Center Analysis) and are forecasted to rise in New Mexico as well (Energy Innovation Analysis). New Mexican rate payers will likely see increases to electricity prices as our utilities and co-ops face higher costs from load growth, wildfire damage, loss of IIJA funding, operations under more extreme weather conditions, data center demand and more.
>
> For example, an excise tax of 3.75% levied on large-scale renewable energy generation in New Mexico would have added an additional cost of roughly $3 per megawatt-hour generated during peak months in 2024. Such a tax would artificially raise the costs of utility-scale solar production and onshore wind production, currently the most cost-effective sources of electricity generation (Fig. 4), likely resulting in higher electricity prices for end-users – New Mexican residents and businesses. Such price distortion could also impact decision making at utilities, as they choose "least cost" resources to dispatch, resulting in imprudent investments by the utilities, and inflated rates for electricity consumers in the state.
>
> Roughly a quarter of households1 in New Mexico are classified by the Department of Energy as "highly energy burdened," meaning their energy costs are greater than or equal to 6% of their income. An excise tax on the cheapest sources of electricity would further strain the ability of many New Mexicans to meet their monthly expenses, particularly those least able to afford it. Moreover, increasing the cost of service to industrial and commercial customers in the state could hinder statewide economic development efforts to attract electricity-intensive businesses in manufacturing, artificial intelligence, and transportation.

IT/sgs/cf/sgs