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F I S C A L I M P A C T R E P O R T

SPONSOR: Moore DATE TYPED: 2/28/03 HB 548

SHORT TITLE: Wind Energy Equipment Gross Receipts SB

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	**FY04**			
	($975.0)	($975.0)	Recurring	General Fund
	($325.0)	($325.0)	Recurring	Local Government

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC files

Responses Received From:

Public Regulatory Commission (PRC)
Energy Mineral and Natural Resources Department (EMNRD)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 548 amends statute to provides a gross receipts tax deduction from business gross receipts for businesses selling wind generation nacelles, rotors or related equipment, if such equipment is installed on a supporting infrastructure.

FISCAL IMPLICATIONS

According to EMNRD:
Tax impact is based on cost of equipment assumed for 140 megawatts of wind power capacity. This would be the eligible capacity allowed under the state Renewable Energy Production Tax

Credit after half of the allowable capacity is assumed to be taken by the already planned 204-megawatt plant. Wind turbine procurement for 140 megawatts is assumed to cost $112 million. A Gross Receipts Tax (GRT) of 6.5% is about $7 million.

According to TRD:
Fiscal impacts are based on 1,000 kWe of qualified wind electric generating equipment being installed in the coming year. Although there are only a small number of eligible facilities under development, the Public Regulation Commission ("PRC") has recently ordered the state's utilities to significantly increase the share of renewable energy in their total sources of supply to New Mexico consumers. Thus, revenue impacts of the proposal will probably increase over time as facilities are developed to meet the new PRC requirements.

The above listed fiscal impact is based on two 20 Mega watt qualified wind electric generating facility installed in the coming year. According to EMNRD, the approximate cost of the facilities is $1.0 million per mega watt with 50 percent being infrastructure and thus qualifying under the gross receipts tax deduction. According to EMNRD facilities under 20 Mega watts will not derive economies of scale and are therefore less likely.

OTHER SUBSTANTIVE ISSUES

The 2002 legislature passed Senate Bill 187 that enacted 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. Under SB 187 an eligible "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.

IRB's vs. HB 548

Laws 2002, Chapter 37 amended the Industrial Revenue Bond Act (IRBA) and the County Industrial Revenue Bond Act (CIRBA) to allow an electricity generation facility engaged in interstate commerce to qualify for IRBs under the definition of allowed projects. It further allowed for a gross receipts deduction on wind energy generation equipment sold to governmental entities. Under the IRBA and CIRBA neither gross receipts nor property taxes are collected; however, under provisions in HB 548 property taxes would be received. Therefore, the above noted fiscal impact is applicable only if the wind electric generation is non-IRB funded.

SN/yr/njw