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

SPONSOR Cisneros **ORIGINAL DATE** 02/07/10 **LAST UPDATED** **HB**

SHORT TITLE Solar & Wind Energy Gross Receipts **SB** 202

ANALYST Clifford

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	**FY11**	**FY12**		
NFI	(2,250.0) to (7,590.0)	(2,250.0) to (7,590.0)	Recurring	General Fund
NFI	(438.0) to (1,477.0)	(438.0) to (1,477.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 202 would expand the gross receipts tax (GRT) deduction for sale of wind generation equipment to include solar generation equipment. The deduction applies only if the sale is made to a government entity, which means that it would apply to a privately-developed project of that project has received Industrial Revenue Bond financing.

No effective date is included so the changes would take effect 90-days after the legislative session or May 19, 2010.

FISCAL IMPLICATIONS

Fiscal impacts are uncertain. Several solar thermal generating facilities are at various stages of planning in the state. Some are relatively small, so that fiscal impacts of the proposal would be modest, but others are quite large. A plan recently filed by the Public Service Company if New Mexico with the Public Regulation Commission calls for a total of 45 megawatts of utility-scale solar generating facilities to be built in the 2010-2011 timeframe. Assuming an average cost of

$4 million per megawatt, the cost of these facilities would be on the order of $200 million. Assuming that 50 percent of these costs would be otherwise taxable under the GRT yields the lower bound of revenue effects shown in the table. The upper bound reflects the impacts if a proposed 90+ MWe plant near Santa Theresa is able to move forward and utilize the deduction. If the plant is not viable without the credits, these amounts would not necessarily be part of the state's revenue baseline and the impacts would be lower than this.

Impacts may be smaller if developers would be able to use the Advanced Energy Credit under present law. However, there are good reasons to expect that some projects will claim the deduction that would not have been able to claim the tax credit. Developers of wholesale power facilities may not have sufficient tax liability to apply the credit against. These developers are much more likely to claim the deduction. Thus, the total fiscal impact on the state of the credit and the deduction is larger than would be the case under present law.

SIGNIFICANT ISSUES

The proposal would create a deduction for construction-related expenses. Construction is one of the larger sectors contributing to the GRT base, contributing annually between 10 and 15 percent of total collections. The state has historically resisted allowing construction deductions because once deductions are allowed to certain projects, others can legitimately claim they are being treated unfairly.

The same expenses that would be eligible for the expanded GRT deduction would also qualify for the present law Advanced Energy Tax Credit, creating a "double-dip". To prevent this, the proposal could add language amending the Advanced Energy Tax Credit to disallow credit on expenses for which the deduction is claimed.

PERFORMANCE IMPLICATIONS

NMED notes:
The Environment Department's Air Quality Bureau has a legislative performance measure to reduce annual statewide greenhouse gas emissions to a target level. Similarly, the Governor's Accountability and Performance Contract contains goals for reduction of greenhouse gas emissions. Finally, the Governor's Executive Order on Climate Change also contains goals for reduction of greenhouse gas emissions to 2000 levels by 2012, 10 percent below that by 2020 and 75 percent below 2000 levels by 2050. This revised section will assist with achieving this performance measure.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 201 also creates a GRT deduction for certain construction expenses on solar generation facilities.

TC/mt