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## FISCAL IMPACT REPORT

ORIGINAL DATE 03/14/11

SPONSOR   HTRC   LAST UPDATED \_\_\_\_\_ HB   75/HTRCS  

SHORT TITLE   Geothermal Pump Tax Credit Refundability   SB \_\_\_\_\_

ANALYST   Burrows  

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	NFI	NFI	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)  
Energy, Minerals and Natural Resources (EMNRD)

#### Other Responses Received

Other responses were received

### SUMMARY

#### Synopsis of Bill

House Bill 75/HTRCS would require the Taxation and Revenue Department (TRD) and the Energy, Minerals and Natural Resources Department (EMNRD) to compile an annual joint report for the revenue stabilization and tax policy (RSTP) committee reporting on the effectiveness of the geothermal ground-coupled heat pump tax credit. The report would contain information on the number of people applying for the credit, the number and amount of tax credits claimed, the number of jobs created, and any other information to study the effectiveness of the credit. The study would be submitted to RSTP by no later than October 15 of each year.

The bill also replaces “taxpayer” with “person” in the definition of the eligible entity, and defines the statute’s purpose as that of encouraging the manufacture and installation of systems, and to increase employment of installers and maintenance personnel. The proposal limits the annual aggregate amount of credits to no more than \$2 million per tax year. Applicants who are unable to receive the credit in a taxable year due to this threshold shall be placed on a list in the order in which the tax return was received and credited according to the list in the subsequent year.

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The provisions of this bill are applicable to taxable years beginning on or after January 1, 2011 through December 31, 2021.

Since there would be no fiscal impact other than administrative costs, the agency analysis from the original bill will also apply to the substitute.

### **FISCAL IMPLICATIONS**

There is no fiscal impact to the state.

### **ADMINISTRATIVE IMPLICATIONS**

TRD reports minor administrative impacts to its department, including some increased coordination with EMNRD.

### **TECHNICAL ISSUES**

The term “person” is used several times, but the definition of “person” is not specified.

Page 6, lines 4-11 uses a different definition of “geothermal ground-coupled heat pump” than the one contained on page 10, lines 8-15.

Language added on page 3, lines 20-25 to clarify the procedure required when the number of claims in a tax year exceeds \$2 million differs from the procedure on page 8, lines 16-22. A possible amendment would make these sections consistent. Moreover, the term “paid” on page 3, line 24 seems unsuitable when referring to tax credits.

TRD notes by changing the qualifying claimant from “taxpayer” to “person”, the proposal allows pass-through entities to claim the credit.

### **OTHER SUBSTANTIVE ISSUES**

The bill contains compliance provisions created to assess the efficacy of the tax credit. Such requirements could ensure the credit targets the intended beneficiaries, with minimum negative impact to revenues.

EMNRD states that the additional requirements proposed would make EMNRD’s certification process less efficient. EMNRD also reports that the performance metric related to job creation may be difficult to estimate, and that any estimate would likely be inaccurate.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The revenue cost and effectiveness of the geothermal heat pump tax credit program will be unknown.

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