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SENATE BILL 284

**51ST LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2013**

INTRODUCED BY

Carroll H. Leavell

AN ACT

RELATING TO TAXATION; AMENDING A SECTION OF CHAPTER 7, ARTICLE 36 NMSA 1978 TO ADD DEFINITIONS; PROVIDING FOR VALUATION OF RENEWABLE ENERGY EQUIPMENT THAT IS SUBJECT TO PROPERTY TAXATION AND THAT IS USED FOR THE GENERATION, TRANSMISSION OR DISTRIBUTION OF ELECTRIC POWER OR ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-36-29 NMSA 1978 (being Laws 1975, Chapter 165, Section 10) is amended to read:

"7-36-29. SPECIAL METHOD OF VALUATION--PROPERTY USED FOR THE GENERATION, TRANSMISSION OR DISTRIBUTION OF ~~[ELECTRICAL]~~ ELECTRIC POWER OR ENERGY.--

A. All property used for the generation, transmission or distribution of ~~[electrical]~~ electric power or energy subject to valuation for property taxation purposes

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1 shall be valued in accordance with the provisions of this  
2 section.

3 B. As used in this section:

4 (1) "depreciation" means straight line  
5 depreciation over the useful life of the item of property;

6 (2) "electric plant" means all property, other  
7 than renewable energy equipment, situated in this state used or  
8 useful for the generation, transmission or distribution of  
9 electric power or energy, but does not include land, land  
10 rights, general buildings and improvements, construction work  
11 in progress, materials and supplies and licensed vehicles;

12 (3) "construction work in progress" means the  
13 total of the balances of work orders for an electric plant in  
14 process of construction on the last day of the preceding  
15 calendar year exclusive of land, land rights and licensed  
16 vehicles;

17 (4) "general buildings and improvements" means  
18 buildings of the nature of offices, residential housing,  
19 warehouses, shops and associated improvements in general use by  
20 the taxpayer and not directly associated with generation,  
21 transmission or distribution of [~~electrical~~] electric power or  
22 energy;

23 (5) "materials and supplies" means the cost,  
24 including sales, use and excise taxes, and transportation costs  
25 to point of delivery in this state, less purchases and trade

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1 discounts, of all unapplied material and supplies on hand in  
2 this state as of December 31 of the preceding calendar year;

3 (6) "other justifiable factors" includes, but  
4 is not limited to, functional and economic obsolescence, such  
5 as the limitation upon the use of the property based upon the  
6 available reserves committed to the property; ~~and~~

7 (7) "renewable energy equipment" means wind  
8 generation equipment and solar generation equipment;

9 (8) "related equipment" means transformers,  
10 circuit breakers and switching and metering equipment used to  
11 connect a wind or solar electric generation plant to the  
12 electric grid, meteorological towers, hardware and software;

13 (9) "solar generation equipment" means solar  
14 thermal energy collection, concentration and heat transfer and  
15 conversion equipment; solar tracking hardware and software;  
16 photovoltaic panels and inverters; support structures; posts,  
17 brackets and towers; turbines and associated electrical  
18 generating equipment used to generate electricity from solar  
19 thermal energy; and related equipment;

20 [~~(7)~~] (10) "tangible property cost" means the  
21 actual cost of acquisition or construction of property,  
22 including additions, retirements, adjustments and transfers,  
23 but without deduction of related accumulated provision for  
24 depreciation, amortization or other purposes; and

25 (11) "wind generation equipment" means wind

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1 generation turbines, blades, nacelles, rotors and supporting  
2 towers used to generate electricity from wind; and related  
3 equipment.

4 C. An electric plant shall be valued as follows:

5 (1) the department shall determine the  
6 tangible property cost of the electric plant;

7 (2) such tangible property cost shall then be  
8 reduced by the related accumulated provision for depreciation  
9 and any other justifiable factors; and

10 (3) notwithstanding the foregoing  
11 determination of value for property taxation purposes, the  
12 value for property taxation purposes of an electric plant shall  
13 not be less than twenty percent of the tangible property cost  
14 of the electric plant.

15 D. The value of construction work in progress shall  
16 be fifty percent of the amount expended and entered upon the  
17 accounting records of the taxpayer as of December 31 of the  
18 preceding calendar year as construction work in progress.

19 E. The value of materials and supplies shall be the  
20 tangible property cost for such property as of December 31 of  
21 the preceding calendar year.

22 F. Each item of property having a taxable situs in  
23 the state and valued under this section shall have its net  
24 taxable value allocated to the governmental units in which the  
25 property is located.

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G. Through June 30, 2028, renewable energy equipment shall be valued as follows:

(1) the department shall determine the actual cost of construction of the renewable energy equipment;

(2) the actual cost of construction shall then be reduced by the amount of the federal investment tax credit claimed, if any, associated with purchase of the renewable energy equipment;

(3) the amount determined in Paragraph (2) of this subsection shall be reduced by depreciation using a ten-year useful life and for any other justifiable factors; and

(4) the value shall be twenty percent of the amount determined in Paragraph (3) of this subsection.

~~[G.]~~ H. The department shall adopt regulations ~~[under Section 72-31-88 NMSA 1953]~~ to implement the provisions of this section."