FISCAL IMPACT REPORT

ORIGINAL DATE 03/02/21
SPONSOR HTRC **LAST UPDATED** 03/18/21 **HB** CS/HB15/aSTBTC

SHORT TITLE Sustainable Building Tax Credit **SB**

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24	FY25		
	($0.0)	($0.0)	($2,150.0)	($2,150.0)	Recurring	General Fund

Parenthesis ( ) indicate revenue decreases.

Note: This exhibits the overall effect of an increase in the cap from $5,000,000 to $7,150,000 beginning for FY243. The actual timing of realizing this increase in tax credits applied to tax liabilities is complex. See FISCAL IMPLICATIONS and TECHNICAL ISSUES for a discussion.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		$15.9		$15.9	Nonrecurring	TRD – ITD Staff Workload
		$50.0	$50.0	$100.0	R	RPD – FTE TRD operating
		Unspecified, but >0			R	EMNRD

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

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

SUMMARY

Synopsis of STBTC amendment

Senate Tax, Business and Transportation Committee amendment to House Taxation and Revenue Committee substitute for House Bill 15 generally extends the life of the 2015 Sustainable Building Tax Credit (2015 SBTC) by one year for projects completed by April 1, 2023 and claims for credit made by the end of Tax Year 2024. This sets a firm sunset for the 2015 Sustainable Building Tax Credit (2021 SBTC) however, see TECHNICAL ISSUE for a discussion. The amendments extend the beginning date of projects eligible for the 2021 SBTC to April 1, 2023. This makes the dates consistent with the change in the 2015 SBTC. The bill sunsets the 2021 SBTC for projects completed by the end of the 2029 tax year. The amounts of credit for Energy Star air source heat pump installations are doubled to $2,000 for affordable housing and $1,000 for non-affordable housing. The awarded credits for the 2021 SBTC may be sold, exchanged or transferred to another taxpayer. If a taxpayer does not have sufficient tax liability to fully utilize the credits, that taxpayer may sell the credits, probably at a discount. In several places, the amendment uses the phrase "… thirty percent less energy than is required by the prescriptive path of the most current applicable energy conservation code promulgated by the Construction Industries Division of the Regulation and Licensing Department for build green emerald or LEED platinum…" This requires approved projects be significantly more energy efficient than required by the current sustainable building code. There may be provision in the amendment to accommodate jurisdiction-by-jurisdiction difference in approved energy conservation standards.

Synopsis of Original Bill

The House Taxation and Revenue Committee substitute for House Bill 15 updates and expands the coverage of the current Sustainable Building Tax Credits (Section 7-2-18.29 NMSA 1978 for personal income tax and Section 7-2A-21 NMSA 1978 for corporate income tax). In general, it requires a higher level of LEED (Leadership in Energy and Environmental Design) certification to qualify for any credit and provides, compared to the current Sustainable Building Tax Credit, somewhat lower tax credits per square foot of building. The bill provides a bonus of up to $1 per square foot for a fully electric house and up to $.25 per square foot for one that is zero carbon certified, zero energy certified, zero waste certified or zero water certified. The bill also provides some tax credits for the installation of energy-conserving products in existing commercial and residential buildings and provides greater tax credits for installation of energy conserving products intended for occupancy by low-income persons or in buildings that qualify as affordable housing. The bill retains a tax credit for new residential sustainable buildings of up to $5.50 per square foot for up to 2,000 square feet of qualified occupied space. Total credits are limited to $7.15 million for the aggregate amounts pursuant to the income tax act and the corporate income tax act. Energy, Minerals and Natural Resources Department (EMNRD) continues to be the designated agency to approve the credits and issue certifications. It is the certifications that are to be limited in total amounts, but EMNRD is granted flexibility in dividing up the separate caps. TRD would continue to administer the refunds or credits. Some of the earned credits would be refundable for low-income taxpayers, however; the credits are non- transferable.

The bill preserves the existing Sustainable Building Tax Credits, renamed here as the 2015 SBTC Act but the qualifications and amount of tax credits are applicable only to projects that are permitted before March 25, 2021 and completed no later than March 25, 2022.

There is no effective date of this bill. It is assumed that the effective date is 90 days after the session ends (June 18, 2021). However, the renamed 2015 SBTC is applicable for projects permitted before March 25, 2021 and completed by March 25, 2022. Projects completed after January 1, 2027 would be ineligible for Sustainable Building Tax Credits.

FISCAL IMPLICATIONS

This bill modifies a tax expenditure with a cost that is difficult to determine but likely significant. LFC has serious concerns about the significant risk to state revenues from tax expenditures and the increase in revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax expenditure policy principles for vetting, targeting, and reporting. Since this bill effectively repeals a somewhat more generous credit, it may result in a slight general fund increase in revenue within the budget period; however, the $5 million cap in the current Sustainable Building Tax Credit increases in this bill to $7.15 million, and this increase in cap amount may dominate the revenue impact.

The STBTC amendment extends the sunset date for the 2015 SBTC to projects that are completed by April 1, 2023 and the beginning date for the 2021 SBTC to April 1, 2023. This has the fiscal effect of zeroing out the 2022 and 2023 impacts and delaying the negative impact until FY24. Making the tax credit transferable may also reduce roll-overs, although transferability is included in the 2015 SBTC with an unknown level of utilization.

Fiscal Impact:

Credit, Sustainable Building (expired)	Tax Year (Calendar)	2015	2016	2017	2018	2019
	Claims	750	968	1,041	791	36
	Expenditure (thousands)	$3,777	$3,681	$3,758	$2,656	$155

Credit, New Sustainable Building Credit	Tax Year (Calendar)	2017	2018	2019
	Claims	599	626	85
	Expenditure (thousands)	$3,775	$3,416	$381

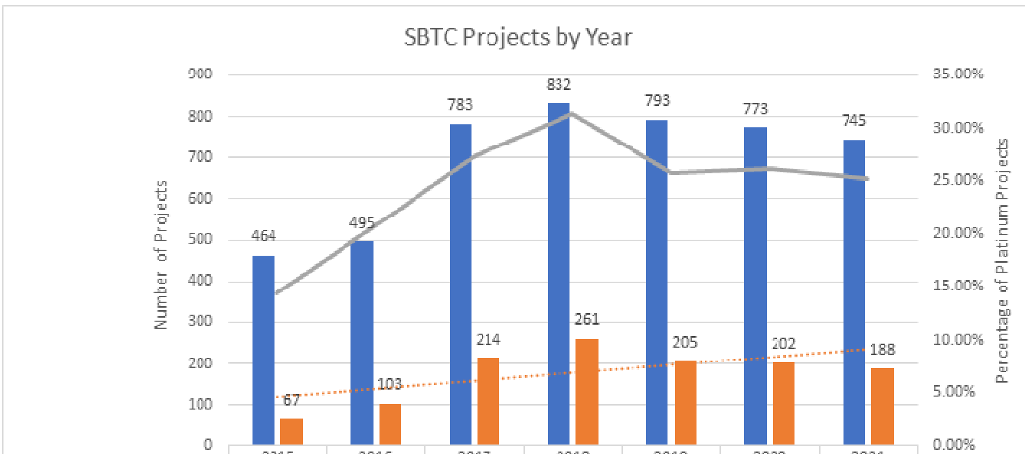
The version of the Sustainable Building Tax Credit (renamed the 2015 SBTC in this bill) and its predecessor tax credit have been moderately successful in encouraging builders to invest somewhat more in sustainable technologies. The 2019-20 Edition of the TRD Tax Expenditure Report is shown in the table above.

For the entire period of both credits, the statutory annual cap was $5 million for each program. If the amount of individual credit was less than $100 thousand, then the claimant could apply a maximum of $25 thousand per year. For total credits over $100 thousand, the claimant could apply 25 percent per year. Additional shrinkage occurred if the total allowed credits eligible to be applied in each year exceeded the tax liability of the claimant. These restrictions apparently made the program less popular for single family structure credits than multi-family building credits. Testimony from EMNRD and the industry indicates that the bulk of the credits were approved for multi-family structures. These figures might also attest to the credits being more popular for residential projects rather than commercial projects.

Also, notice the overlap between credits. For 2017, a total of over $7.5 million was claimed on tax returns. In 2024, there may be a similar overlap.

EMNRD has provided the following data and analysis indicating that an average 28 percent of sustainable, creditable projects granted from 2015 through 2021 (estimated) would qualify for the platinum level of credits proposed in this bill. Since LEED Gold and Build Green Emerald and Build Green Gold are newly creditable in this bill, it would be difficult to determine the percentage of currently creditable projects that would be creditable under the 2021 Sustainable Building Credit Act.

The following table shows the historical trend of the tax credit indicating the number and percentage of platinum projects issued certificates between 2015 to2021.



	2015	2016	2017	2018	2019	2020	2021
Total Projects	464	495	783	832	793	773	745
Platinum Projects	57	103	214	261	205	202	188
Platinum Percentage	14.44%	20.81%	27.33%	31.37%	25.85%	26.13%	25.23%

The revenue impact for HB15 could reach the cap of $7.15 million annually. EMNRD'S historical data on applications received under the current program have exceeded the $5 million cap each year requiring EMNRD to maintain a queue for applications that meet the requirements for eligibility. This bill will increase the tax credit by $2.15 million compared to the existing tax credit.

In 2020, EMNRD received and certified 773 projects that utilized $4,702,237 of the tax credit allocation and in 2021, 745 applications were approved for $4,603,444 of the tax credit allocation. The total $5 million cap will be met for both 2020 and 2021 as there are applications pending for certification for the manufactured housing allocation that is released at the end of March of each year.

LFC staff notes that according to EMNRD, the sustainable building tax credit reached its cap in FY2015 and FY2016. In the 12-month period through October 2013, EMNRD received, reviewed, and processed 1,078 applications comprising 2.7 million square feet of floor area, including: six commercial buildings of 663,970 square feet; 216 multifamily housing units of 201,763 square feet; 67 manufactured homes of 111,082 square feet; and 795 single-family homes of 1,787,047 square feet. The construction of buildings that meet ENERGY STAR, LEED, or Build Green New Mexico standards, provided jobs in 22 New Mexico counties.

Some earned credits would be refundable for low-income individuals.

Allowing a total of $3 million in credits for renovation activity puts more conservation projects within the reach of owners of existing buildings. On the other hand, LEED-NC Silver projects would no longer be creditable.

This substitute bill has not moderated the possibility of astute builders claiming tax credits at the LEED-NC Silver level pursuant to the 2015 SBTC Act for conforming their buildings to the amended New Mexico Energy Conservation Code. However, all the available $5 million in credits for 2021 have been certified and the cap applied. Buildings at the LEED-NC-Silver level or equivalent must be permitted by March 25, 2021 and completed by April 1, 2023 to qualify for the 2015 SBTC. EMNRD will be able to put these projects in a queue for 2022, 2023or 2024 (See TECHNICAL ISSUES for a discussion.).

The revenue table on page one includes the effect on revenues for projects under the 2015 SBTC which was scheduled for repeal in 2026, hence is in the current revenue estimate. Also, 2021 credits have already been approved, even though we are less than two months into the calendar year. Far more credits have been earned, but not certified. The 2021 tax credits have probably rolled over from 2020 or even 2019 projects. The table assumes that EMNRD's expectation of certifying $7.15 million is plausible, beginning for FY24. By 2028, there will be several years where applied credits will equal $7.15 million.

In the original substitute bill, TRD expects the fiscal impact to be as follows:

Estimated Revenue Impact*					**Recurring or Nonrecurring**	**Fund(s) Affected**
FY2021	**FY2022**	**FY2023**	**FY2024**	**FY2025**		
	($2,150)	($2,150)	($2,150)	($2,150)	Recurring	General Fund

* In thousands of dollars. Parentheses ( ) indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

TRD explains the methodology as follows: "The legislation proposes to increase the annual cap from $5 million to $7.15 million and the revenue estimate is the simple difference between these cap amounts. The 2020 New Mexico Tax Expenditure Report demonstrates that the $5 million current cap has nearly been met in recent years and it is anticipated that the cap will be met in FY22 and going forward due to the overall broadening of qualified expenses and projects."

LFC staff, however, suggest that one provision of the bill is to terminate the 2015 tax credit effectively at the end of tax year 2024. This is approximately two years earlier than previously allowed. The expectation of $5 million in applied credits is in the base through tax year 2025. This termination of the 2015 credit early creates a positive revenue impact of approximately a net $1.5 million for FY 24 and a lesser amount for FY25. Also, there is shrinkage because not all claimants will have the liability sufficient to utilize the full amount of the credit in each year. The 25 percent per year application of credits to liabilities is unique with this credit.

Also, the 2015 SBTC set a firm credit cap of $5 million per calendar year, with no roll-over in case approvals exceeded the cap. Based on EMNRD's response above, EMNRD maintains a queue for projects that cannot be certified for the year the project was completed because of the cap. There is no statutory provision in the 2021 Sustainable Building Tax for a queue in case applications exceed the cap in any year, however, it is expected that EMNRD will establish such a queue. (See TECHNICAL ISSUES)

SIGNIFICANT IMPLICATIONS

Extensive amendments to the 2009 New Mexico Energy Conservation Code were adopted in September 2020. In effect, the amendments require all new buildings in the state to achieve energy conservation performance similar to the LEED – NC Silver and LEED -NC Gold levels that were creditable under the 2015 SBTC. Since these levels are now code, it is appropriate not to credit required conservation efforts.

EMNRD has filed extensive discussion and analysis: Detailed tables of requirement and credit amounts appear at the end of this review.

> The proposed changes in HB15 will encourage builders to go beyond the code requirements and to meet the higher platinum level developed by Leadership in Energy and Environments (LEED)-H and Build Green Emerald and provides amounts of tax credits for fully electric buildings, Zero Net Carbon, Zero Net Energy, Zero Net Water, Zero Net Waste levels to significantly increase the sustainability of buildings.
>
> Research shows that energy efficiency measures are a key factor is being able to address the climate crisis. ACEEE reports show that the US can reduce its greenhouse gas emissions by 50 percent if all energy efficiency measures were implemented. Strong energy efficiency measures around buildings alone could deliver 40 percent of the total savings. Energy efficiency measures are among the least expensive and most effective way to reduce our emissions. And by addressing energy efficiency first, the cost and effectiveness of other critical solutions, such as switching to renewable energy generation, greatly improves.

TRD provided the following policy comments. These have been edited to recognize that only the LEED-NC Silver, LEED-EB Silver or LEED-CB Silver certification levels have been eliminated for credits:

> The current sustainable building tax credit may be claimed for the renovation or new construction of residential or commercial buildings with the Gold and Platinum tiers of Leadership in Energy and Design (LEED) certifications for environmentally responsibility and resource efficiency. In addition, Build Green Gold and Emerald certified buildings are newly creditable. The 2021 SBTC restricts credits for the renovation or new construction of commercial and residential buildings to those with the high efficiency standards. The higher thresholds may result in a higher return on investment from the credit regarding greenhouse emission reduction, as only the most efficient projects would qualify. This however restricts the credit from the 2nd LEED tiers that currently qualify, and the removal of the tax credit incentive may result in fewer sustainable building projects. While it may restrict the number of projects that qualify, it may also incentivize projects that would have otherwise received a lower LEED certification to improve their project's energy efficiency to meet the qualifications of the highest LEED tier, offsetting any reduction in the number of qualifying projects.
>
> The legislation provides up to a $2.9 million credit for the installation of energy conserving products into existing buildings, greatly expanding the accessibility of this bill. New construction and building renovations are often long and expensive projects that occur infrequently, limiting the availability of the credit. The replacement of a

water heater or windows and doors occurs with a higher frequency and at a lower cost than major construction and expands access to the credit. The benefit of this portion of the credit is increased for low income and affordable housing and provides a social good through the increased affordability of energy-conserving products.

TRD supports sunset dates for policymakers to review the impact of a credit before extending it if a sufficient timeframe is allotted for tax incentives to be measured. Both the prior credit and the new proposed 2021 SBTC include a sunset provision. The attention to upgraded requirements in the proposed new credit speaks to the efficacy of applying a sunset provision. In addition, as this credit has historically reached the cap amount and is forecasted to continue to do so, the sunset provision allows for the assessment of benefits versus cost.

The legislation allows for the 2021 credit to be refundable and transferrable. Refundable tax credits may provide more of a benefit to filers with low or no income tax liability that otherwise would be unable to claim the full benefit of the credit. The transferrable status of the credit benefits the filer as well by providing additional options for how the credit may be applied. Allowing for credits to be transferable increases the administrative impact to TRD to track the ownership of the credit. (See Administrative & Compliance Impact.)

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with the bill's requirement to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose. The requirement is imposed on both TRD and EMNRD.

ADMINISTRATIVE IMPLICATIONS

EMNRD currently administers the 2015 SBTC, reviewing applications and documentation to ensure that program requirements are met prior to issuing certificates. HB15 will have increased administrative implications for EMNRD for amending the current rules and for developing and promulgating rules for the 2021 SBTC. EMNRD has an established electronic application submission process in place that will need to be updated to accommodate the new 2021 provisions.

TRD reports a moderate impact.

Implementation is anticipated to cost the Information Technology Division (ITD) of TRD $15.9 thousand in staff workload costs. The amendment to allow for the new credit to be transferred and sold impacts the Revenue Processing Division (RPD) as additional staff will need to manage the ownership of the new 2021 credit. The current system processes do not have a mechanism to track credit transfers. Staff FTE will be needed until such time the system can assist in credit transfers.

Taxpayers receive certification from EMNRD for the new credit and need only submit that certification to TRD for claiming the credit. The prior credit required a second

> approval by TRD of the credit, which placed unnecessary burden on both the taxpayer and TRD administration of the credit.

TECHNICAL ISSUES

The use of the phrase, "prescriptive path of the energy conservation code…" is not defined. According to EMNRD, it is defined as follows:

> … percentage energy efficiency gain achieved to using the prescriptive path of the energy conservation code as adopted by the CID/RLD for establishing the criteria for Build Green Emerald and Build Green Gold certification levels. The amendment further requires the efficiency percentage savings of 30 percent for gold level and 40 percent for emerald level.

LFC staff recommend further clarification of this phrase.

Both the 2015 SBTC and the 2021 SBTC seem to be designed about a first-come, first-served paradigm. When the caps have been reached, applicants are put into queue, with applicants certified for tax credits in the following annual cycle. This procedure is consistent with good public policy. However, neither the 2015 SBTC nor the 2021 SBTC authorize this procedure explicitly in statute. LFC staff recommend this issue be addressed.

EMNRD responded that the issue was resolved by rule. The two rules are 3.3.34.8 for NMAC Residential and 3.3.35.8 NMAC for Commercial.

3.3.34.8 GENERAL PROVISIONS:

A. A person who is the owner of a building in New Mexico that has been constructed, renovated or manufactured to be a sustainable residential building and that receives certification on or after January 1, 2017 may receive a certificate of eligibility for a new sustainable building tax credit. A subsequent purchaser of a sustainable residential building may receive a certificate if no tax credit has previously been claimed for the building.

B. The annual total amount in a calendar year of the new sustainable building tax credit pursuant to the Income Tax Act and the Corporate Income and Franchise Tax Act available to taxpayers owning sustainable residential buildings is limited to $3,375,000 for sustainable residential buildings that are not manufactured housing. When the $3,375,000 cap for sustainable residential buildings is reached, based on all certificates of eligibility the department has issued, the department shall:

(1) if part of the eligible new sustainable building tax credit is within the annual cap and part is over the annual cap, issue a certificate of eligibility for the amount under the annual cap for the applicable tax year and issue a certificate of eligibility for the balance for the subsequent tax year; or

(2) the department may issue certificates of eligibility to applicants who meet the requirements for the new sustainable residential buildings tax credit in a taxable year when applications for the new sustainable residential buildings tax credit exceed the annual cap and applications for the new sustainable commercial buildings or manufactured housing tax credits are under the annual cap for that type of sustainable building by March 1 of any year in which the tax credit is in effect; or

(3) if no new sustainable building tax credit funds are available, issue a certificate of eligibility for the next subsequent tax year in which funds are available, except for the last taxable year when the new sustainable building tax credit is in effect.

There may be two internal conflicts relative to the premature sunsetting of the 2015 SBTCs in this substitute bill, as amended. (1) EMNRD is responsible for determining the certification level. Page 2, line 8 requires both commercial and residential projects to have been permitted by March 25, 2021 and completed by April 1, 2023. However, on page 6, line 9 the project must have the certification level awarded by April 1, 2023 in order to qualify for the 2015 SBTC. If the building is completed by April 1, 2023, but not certified, then it would not qualify for the 2021 SBTC which is effective for projects completed after April 1, 2023 (page 16, line 10 as amended). This may have been intended in order to minimize fiscal impacts of the transition and is consistent with the setup of both the 2015 and 2021 credits which apparently are administered on a first-come, first-served basis and any projects submitted after caps are exceeded may not be applied or set in a queue for a subsequent year; (2) Page 2, line 25 provides an apparently hard sunset date for claiming the 2015 SBTC. Under normal circumstances, a project permitted by March 25, 2021 and completed just before the April 1, 2023 date would apply to EMNRD for certification of the 2015 SBTC. This would be issued and claimed on the building owner's 2023 tax return filed by April 2024. However, all credits are subject to a $25 thousand or 25 percent per year limit in the amount that can be applied to liabilities Section 7-2-18.29 (L) NMSA 1978. This extended claim provision would extend for tax years 2024, 2025, 2026 and 2027. This would then conflict with the apparently hard sunset on page 4, line 22 which allows claims to be made only on 2024 tax year returns.

OTHER SUBSTANTIVE ISSUES

EMNRD has provided a detailed description of the provisions of this bill, as amended:

The Senate Tax, Business and Transportation Committee amendments to the House Taxation and Revenue Committee substitute for House Bill 15 (HB 15/cs/a) make significant technical changes to the bill.

1) The date by which projects must be completed to be eligible for the 2015 Sustainable Building Tax Credit (2015 SBTC) is moved to April 1, 2023, providing an additional year for the 2015 SBTC program than the HB/cs eligibility expiration date of April 1, 2022.
2) The 2015 SBTC now has a sunset date of December 31, 2024.
3) The amendments also allow for the Energy, Minerals and Natural Resources Department to issue a certificate of eligibility for the 2015 SBTC projects that meet the required eligible certification levels until April 1, 2023.
4) The start date for the 2021 Sustainable Building Tax Credit (2021 SBTC) in the Income Tax Act and in the Corporate Income and Franchise Tax Act is changed to on or after April 1, 2023. This start date for the 2021 SBTC is the same as the date that 2015 SBTC eligibility ends.
5) The sunset date for the 2021 SBTC is now December 31, 2030.
6) HB15/cs/a adds a new section to the 2021 SBTC allowing the tax credits to be sold, exchanged, or transferred to another taxpayer. It further requires that, if any of these transactions are completed, notification be provided to the Taxation and Revenue Department within ten days of the transaction.
7) HB15/cs/a increases the tax credit amount allowed for the installation of a heat pump from $1000 to $2,000 for affordable housing and from $500 to $1000 for non-affordable housing.
8) The amendments clarify that Energy Star Products are qualified to benefit from this tax credit when installed in appropriate locations.
9) Finally, the amendments in HB15/cs/a shift qualification for the 2021 SBTC from a strict percentage energy efficiency gain achieved to using the prescriptive path of the energy conservation code as adopted by the CID/RLD for establishing the criteria for Build Green Emerald and Build Green Gold certification levels. The amendment further requires the efficiency percentage savings of 30% for Gold level and 40% for Emerald level.

EMNRD has provided the following detailed description of the provisions of the original substitute bill:

The House Taxation and Revenue Committee substitute for House Bill 15 (HB 15cs) changes the existing Sustainable Building Tax Credit by amending NMSA 1978, Sections 7-2-18.19 and 7-2A-21 and enacts the 2021 SBTC (2021 SBTC) by adding new sections in the Personal Income Tax Act and in the Corporate Income and Franchise Tax Act. The 2021 SBTC commences on January 1, 2021 and is available until the end of calendar year 2027, whereupon it sunsets.

The existing tax credit is renamed the 2015 SBTC (2015 SBTC). HB15HTRCS allows the Energy, Minerals and Natural Resources Department (EMNRD) to issue 2015 SBTC certificates for buildings constructed, renovated or for installation projects that secured a building permit by March 25, 2021 and is completed by April 1, 2022 (a shift in date from the original bill introduced).

HB15/HTRCS establishes the 2021 SBTC (2021 SBTC) in the Income Tax Act and in the Corporate Income and Franchise Tax Act. The 2021 SBTC adds incentives for the installation of energy efficient products in new and renovated construction. Commercial and residential buildings must be broadband ready and electric vehicle ready. Incentives are provided for affordable and non-affordable housing. Low-income taxpayers are eligible for the tax credit and a refund is provided for low-income taxpayers that exceed their tax liability. A "low-income taxpayer" means a taxpayer with an annual household adjusted gross income equal to or less than two hundred percent of the federal poverty level guidelines published by the United States Department of Health and Human Services.

HB15HTRCS provides an annual cap of $7.15 million for the 2021 SBTC but reallocates the total among residential, commercial, and manufactured homes. It also allocates funding for two new categories: building renovations and the installation of energy efficient products (such as washing machines, dishwashers, etc.) The credit is not refundable but may be carried forward for 7 years.

Certificate of eligibility in any calendar year may not exceed aggregate amounts as follows:

Category:	2015 SBTC	2021 SBTC
Commercial	$1,250,000	$1,000,000
Residential	$3,375,000	$2,000,000
Manufactured Housing	$375,000	$150,000
Commercial Renovation	$0	$1,000,000
Energy Conserving Products	$0	$2,900,000
Total	$5,000,000	$7,150,000

HB15/HTRCS changes the qualifications for the credit in both the commercial and residential sustainable building sections. It eliminates the Leadership in Energy and Environments (LEED)-H and Build Green, Silver, and Gold eligibility which were present in the 2015 credit. In addition, it provides formulas for tax credit amounts for fully electric buildings, Zero Net Carbon, Zero Net Energy, Zero Net Water, Zero Net Waste and Platinum rated buildings that meet LEED requirement developed by the U.S. Green Building Council.

	Qualified Occupied Square Footage	2015 SBTC	2021 SBTC
Residential Credit			
LEED-H Silver or Build Green NM Silver	up to 2,000	$3.00	N/A
LEED-H Gold or Build Green NM Gold	up to 2,000	$4.50	$3.00
LEED-H Platinum or Build Green NM Emerald	up to 2,000	$6.50	$5.50
Manufactured Housing	up to 2,000	$3.00	$2.00
Fully Electric Building	up to 2,000	$	$1.00
Net Zero Carbon, Energy, Water and Waste Certified	up to 2,000	$	$1.00

The bill adds incentives for the installation of energy efficient products in new and renovated construction.

Other Commercial Credits for 2021 SBTC	Credit Amount	
	Affordable Housing	Non-Affordable Housing
Energy Star Air Source Heat Pump	$ 1,000.00	$500.00
Energy Star Ground Source Heat Pump	$ 2,000.00	$1,000.00
Energy Star Windows and Doors	100% of product cost up to $1,000	50% of product cost up to $500
Insulation Improvements	100% of product cost up to $2,000	50% of product cost up to $1000
Energy Star Heat Pump Water Heater	$ 700.00	$350.00
EV Ready	100% of product cost up to $3,000	50% of product cost up to $1,500

HB15HTRCS changes the reporting requirement to require both EMNRD and TRD to report annually to the legislature on the aggregate amount of credits in the various categories with other data necessary for the legislature to determine whether the credit is effective in performing the purpose or which it was created.

The 2021 SBTC changes the energy reduction requirement for building to have reduced energy consumption by 40 percent instead of the prior 60 percent compared to DOE and EPA averages and that the building has achieved a HERS rating of 40 instead of 60.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

EMNRD provides the following perspective on consequences of not enacting this bill: "The 2015 SBTC will continue to be issued, which will provide a financial incentive for only meeting the basic code requirements and would not provide for additional incentives to encourage builders to build beyond code to become more sustainable."

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