

LFC Requester:	Ismael Torres
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**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment**
Correction **Substitute**

Date February 1, 2024
Bill No: HB 10

Sponsor: Reps. Borrego and Martinez
Short Title: Home Fire Recovery Tax Credit

Agency Name and Code Regulation and Licensing Department-420
Number: _____
Person Writing Lori Chavez
Phone: _____ **Email** Lori.chavez1@rld.nm.

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
None	none		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
n/a	(indeterminate)	(indeterminate)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$60,000	\$60,000	\$60,000	\$180,000	yes	general

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

HB 10 adds a new section to the Income Tax Act titled “Home Fire Recovery Income Tax Credit.” HB 10 gives homeowners a tax credit against the taxpayer’s tax liability for expenditures incurred for replacing a qualified site-built home resulting from losses from wildfires in the calendar years 2021 through 2023.

HB 10 requires the taxpayer to apply for certification of eligibility for the tax credit from the Construction Industries Division (CID) of the Regulation and Licensing Department (RLD). An application for certification of the tax credit shall be made no later than twelve months after the calendar year in which the construction of the home is completed. The application for certification of eligibility shall include:

- (1) Proof that the taxpayer’s prior home was destroyed by wildfire in the calendar years 2021 through 2023;
- (2) Proof that the taxpayer incurred expenditures for the construction of a site-built home on the same property from a builder;
- (3) A sworn statement by the taxpayer and the builder of the site-built home that the construction of a new site-built home was completed and the date of its completion; and
- (4) Any additional information the construction industries division may require to determine eligibility for the credit.

HB 10 requires the CID to determine, based upon the application for certification, whether the taxpayer meets the requirements for the tax credit and issue a dated certificate of eligibility to the taxpayer providing the amount of home fire recovery income tax credit for which the taxpayer is eligible and the taxable year in which the credit may be claimed. The tax credit shall be claimed within twelve months of the certificate of eligibility being issued. Tax credits that exceed the taxpayer’s tax liability in the taxable year shall not be refunded but may be carried forward for a maximum of three consecutive taxable years.

HB 10 requires the Taxation and Revenue Department (TRD) to compile an annual report to include:

- (1) Number of taxpayers approved by the department to receive the credit;
- (2) The aggregate amount of credits approved by the department; and
- (3) Other information necessary to evaluate the credit.

HB 10 defines “home”, qualified site-built home and “site-built home.

FISCAL IMPLICATIONS

HB 10 section 1 exceeds the CID’s expertise, training and knowledge. For the CID to implement HB 10, the CID would be required to hire a qualified person to review the applications for certification of tax credits, determine eligibility for the tax credit and to issue a certificate of eligibility to the taxpayer providing the amount of home fire recover income tax credit for which the taxpayer is eligible.

CID’s best estimate is that a part-time contractor qualified in tax credit assessment would need to be hired for the fiscal years of 2024 through 2030. Professional services contracts that state agencies may enter into expeditiously are limited to a maximum of sixty thousand dollars (\$60,000) per year/ per professional services vendor. If the RLD were to procure the necessary professional services each year over the seven-year duration of the Home Fire Recovery Income Tax Credit contemplated by the bill, the total cost would reach approximately four hundred and twenty thousand dollars (\$420,000). HB 10 does not provide an appropriation to the RLD/CID to cover that expense.

The RLD is not equipped to properly estimate the total dollar amount of foregone income tax revenues that would result from this bill, but it is clear that some amount of what would otherwise result in income tax revenue for the state would be waived.

SIGNIFICANT ISSUES

HB 10 requires the CID to collect and verify information to determine whether a taxpayer meets the requirements for the Home Fire Recovery Income Tax Credit. These responsibilities exceed the scope of CID responsibilities and duties of adopting building codes, issuing permits and inspecting construction projects for code compliance. HB 10 also exceeds CID’s expertise by requiring CID to collect and evaluate information to determine eligibility of the taxpayer for a tax credit and the amount of the eligibility.

PERFORMANCE IMPLICATIONS

See “Fiscal Impact” section, above.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS