

LFC Requester:

Laird Graeser

AGENCY BILL ANALYSIS

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{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

**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 1/30/24

Bill No: HB 274

Sponsor: Rep. Linda Serrato  
Short Advanced Energy Equipment  
Title: Tax Credit

Agency Name and Code EMNRD 521  
Number: \_\_\_\_\_  
Person Writing Ben Shelton, General Counsel  
Phone: 505-487-6648 Email Benjamin.shelton@em

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
		(Indeterminate)		

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A

Duplicates/Relates to Appropriation in the General Appropriation Act: N/A

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

Section 1 amends the Income Tax Act to create a credit of up to \$25,000,000 or 20% (whichever is less) against tax liability for taxpayers that make ‘qualified expenditures’ on a ‘qualified manufacturing facility.’ It requires that EMNRD issue a preliminary certification of eligibility for the credit prior to initial expenditure and a final certification within 12 months of production at the facility commencing. It allows the credit to be rolled forward for five years and includes a clawback provision for situations in which the operator of the qualified manufacturing facility ceases operations within two years of claiming the credit.

Section 2 amends the Corporate Income and Franchise Tax Act in a substantially identical manner to Section 1.

Section 3 establishes a delayed repeal date of January 1, 2034.

Section 4 applies the Act to tax years beginning January 1, 2025.

Section 5 establishes the effective date of the Act as January 1, 2025.

The credit established by HB274 is designed to complement the Federal Inflation Reduction Act, 45X credit which provides a credit for a variety of advanced energy technology products that will be critical to the energy transition (e.g., everything from wind turbine parts to solar panel components, to battery and critical mineral components.

**FISCAL IMPLICATIONS**

HB 274 does not contain an appropriation for the staff and IT resources for EMNRD to administer this new credit. Because it does not anticipate a high volume of applications EMNRD believes it can support work with existing resources; however, if uptake is great it may need to seek additional resources in the future.

**SIGNIFICANT ISSUES**

Recent years have seen New Mexico enjoy some success at attracting renewable energy

manufacturing businesses, as evidenced by companies like Universal Hydrogen, Maxeon Solar Technologies, and Arcosa Towers opening or announcing facilities in the state. This tax credit would continue to grow New Mexico's profile as a welcoming place for advanced energy manufacturers.

#### **PERFORMANCE IMPLICATIONS**

*N/*

#### **ADMINISTRATIVE IMPLICATIONS**

The bill will require EMNRD to initiate a rulemaking process to establish forms and procedures for certifying qualified expenditures and qualified manufacturing facilities, as well as require an initial stand up investment to establish online materials for applicants.

#### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

*N/A*

#### **TECHNICAL ISSUES**

*N/A*

#### **OTHER SUBSTANTIVE ISSUES**

*N/A*

#### **ALTERNATIVES**

*N/A*

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

If HB 274 is not enacted New Mexico will offer no tax credit for advanced energy manufacturing equipment in order to attract manufacturers of such equipment to New Mexico.

#### **AMENDMENTS**