

LFC Requester:

Jennifer Faubion

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

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 x **Amendment**
Correction **Substitute**

Date Prepared: 1/30/2024

Bill No: SB 243

Sponsor: Sen. S. Hemphill

Agency Name and Code Number: 305 – New Mexico
Department of Justice

Person Writing Analysis: AAG, Erica Schiff

Short Title: HOTEL RENOVATION
TAX CREDITS

Phone: 505-537-7676

Email: legisfir@nmag.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(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						

(Parenthesis () Indicate Expenditure Decreases)

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

SECTION III: NARRATIVE

This analysis is neither a formal Opinion nor an Advisory Letter issued by the New Mexico Department of Justice. This is a staff analysis in response to a committee or legislator’s request. The analysis does not represent any official policy or legal position of the NM Department of Justice.

BILL SUMMARY

Senate Bill (“SB”) 243 proposes to create a new hotel renovation income tax credit. Between the effective date of the statute and January 1, 2028, taxpayers who incur costs for a qualifying hotel renovation project can receive a tax credit of 20-30% of qualifying costs. To qualify, taxpayers must apply for preliminary certification of eligibility for the tax credit from the tourism department and receive final certification from the tourism department within 12 months of completion of the project. The credit is capped at \$25 million. The credit is to be claimed within one tax year of final certification but, if the tax credit exceeds the taxpayer’s total corporate income tax liability, it may be carried forward for up to 5 years. If credit is approved, the taxpayer must report the amount of credit to the taxation and revenue department. The taxation and revenue department must compile an annual report of credits and present the annual report to the revenue stabilization and tax policy committee and the legislative finance committee with an analysis of the cost of the tax credit.

FISCAL IMPLICATIONS

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES

None.

PERFORMANCE IMPLICATIONS

N/A.

ADMINISTRATIVE IMPLICATIONS

N/A.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The only possible conflict in existing law would be NMSA 1978 § 7-2-18.29 (2021), which provides tax credits for sustainable building, including renovations. However, this credit ends December 31, 2024.

A substantially similar version of the hotel renovation tax credit was presented during the 2023 session (SB 403), which capped the credit at \$30 million.

TECHNICAL ISSUES

Although the definitions in the Income Tax Act state that “‘department’ means the taxation and revenue department,” NMSA 1978 § 7-2-2(D) (2023), SB 243 makes reference to both “the taxation and revenue department,” and “the department.” (3:21, 25, 4:22, 24, 25, 5:2, 8:24, 9:3, 12, 14, 15, 1, 20). The inconsistent terminology makes reading this act more challenging, as several references to “the department” are adjacent to references to “the tourism department,” (2:11, 12, 3:3, 4, 12, 14, 20, 4:2, 7:14, 15, 8:6, 7, 15, 17, 23, 9:5).

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS

N/A