LFC Requester:	Jennifer Faubion

AGENCY BILL ANALYSIS
2024 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

Analysis.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 X **Amendment** ____
Correction ___ **Substitute** ____

Date 1/31/24
Bill No: SB243

Sponsor: Siah Correa Hemphill
Short Title: Hotel Renovation Tax Credit

Agency Name and Code Number: Economic Development Dept. 41900
Person Writing Joel Salas
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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

BILL SUMMARY

Synopsis:

Senate Bill 243 (SB243) creates the hotel renovation income tax credit and the hotel renovation corporate income tax credit. These credits may be used on taxable years beginning January 1, 2024, and prior to January 1, 2028, and can be utilized by taxpayers who are not a dependent of another individual and incur qualifying costs for a hotel renovation project. A "hotel renovation project" specifically means the restoration, renovation, and rehabilitation of at least forty percent of the guest rooms or suites of a hotel. Claimed credits are against the taxpayers' income or corporate income tax liability.

Qualifying costs under these tax credits in New Mexico are costs incurred by the taxpayer for:

- Planning, designing, construction, and construction-related equipment for the restoration, renovation, and rehabilitation of a hotel.
    - A hotel is defined as where lodging is regularly furnished to the general public and provides at least fifteen guest rooms or suites for overnight guest use.
- An amount equal to or greater than: $25,000 in a county with a population of 15,000 or less or $40,000 in a county with a population greater than 15,000.
- Excluding any amount for which a tax credit pursuant to the federal new markets tax credit has been claimed.

The aggregate amount of credits that may be certified as eligible in a calendar year is $25,000,000. The tax credit amount a project is eligible for is based on a percentage of the qualifying costs: thirty percent of qualifying costs for a hotel that receives a certification level of LEED-NC silver, or twenty percent of qualifying costs for all other hotels. Tax credits per project cannot exceed $1,250,000.

The Tourism Department is responsible for:

- Preliminary certification of eligibility for the hotel renovation corporate income tax credit. This includes confirming that the qualifying costs proposed to be made by the taxpayer will be used for a hotel renovation project and providing an estimate of the amount of tax credit for which the taxpayer may be eligible.
- Final certification of eligibility for the hotel renovation corporate income tax credit. This includes determining that the taxpayer meets the requirements of the credit and

issuing a dated certificate of eligibility to the taxpayer providing the amount of tax credit for which the taxpayer is eligible and the taxable years in which the credit may be claimed.

- Providing the Taxation and Revenue Department (TRD) with the certificates of eligibility issued pursuant to this subsection in an electronic format at regularly agreed-upon intervals.

The tax credits must be claimed within one taxable year of the end of the calendar year in which the Tourism Department provides final certification of the credits. The credits can be carried forward for five years.

TRD is required to compile an annual report on the credits. This report includes the number of taxpayers approved by the department to receive the tax credit, the aggregate amount of tax credits approved, and any other information necessary to evaluate the tax credit. TRD must 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.

The provisions of this act apply to taxable years beginning on or after January 1, 2024.

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

The tax credits created in SB243 could help rehabilitate old, run down hotels that have become blights on communities around New Mexico. However, this bill does not single out these types of hotels and it is unclear how many hotels in the worst of conditions would utilize these tax credits.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS