

LFC Requester:

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.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}

Date Prepared: 1/20/2026 *Check all that apply:*
Bill Number: HB 62 Original Correction
 Amendment Substitute

	Agency Name Economic Development	
	and Code Department	
Sponsor: <u>Pat Woods</u>	Number: <u>41900</u>	
Short Title: <u>Rename & Create Geothermal Tax Credits</u>	Person Writing <u>Daye Kwon</u>	
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	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:

House Bill 62 (HB 62) amends the Geothermal Electricity Generation Income and Corporate Income Tax Credit by renaming it to the Geothermal Energy Production Income and Corporate Income Tax Credit, increasing the total annual aggregate amount of credits from \$5 million to \$55 million, and creating a tax credit schedule. A taxpayer who holds an interest in a geothermal energy production facility may claim a tax credit against the taxpayer's income tax or corporate income tax liability.

HB 62 defines a "geothermal energy production facility" as a facility located in New Mexico that produces and delivers electricity or thermal energy from geothermal resources for industrial, commercial, or residential use and that either begins construction on or after January 1, 2025, or increases geothermal energy production by at least one hundred percent (100%) after that date.

The Bill establishes a ten-year, per-kilowatt-hour credit schedule for geothermal energy produced, limited to the first 200,000 megawatt-hours produced by a single facility in a taxable year. The credit equals 1.5 cents per kilowatt-hour in the first year of production; 2.0 cents in the second year; 2.5 cents in the third year; 3.0 cents in the fourth year; 3.5 cents in the fifth year; 4.0 cents in the sixth year; 3.5 cents in the seventh year; 3.0 cents in the eighth year; 2.5 cents in the ninth year; and 2.0 cents in the tenth year.

HB 62 caps the total annual aggregate amount of income and corporate income tax credits at \$55 million, with \$11 million reserved for tribal businesses and small businesses. Taxpayers apply to the Energy, Minerals and Natural Resources Department (EMNRD) for certification of eligibility, and EMNRD provides the Taxation and Revenue Department (TRD) with the issued certificates. Applications received after the annual aggregate amount is reached are considered in the following calendar year, and any unused portion of the annual aggregate amount may be added to the amount available in the subsequent calendar year.

A taxpayer may sell, exchange, or transfer tax credit certificates to another taxpayer, provided the transaction is reported to TRD within ten days. Credits in excess of tax liability may not be refunded but may be carried forward for up to three consecutive years. The Bill applies to taxable years beginning on or after January 1, 2026, and ending prior to January 1, 2036.

FISCAL IMPLICATIONS

HB 62 does not include funding for any additional personnel or full-time equivalent positions at EMNRD or TRD for certifying tax credit eligibility and administering the tax credits.

SIGNIFICANT ISSUES

Geothermal energy production provides a continuous, non-intermittent source of energy that contributes to long-term energy reliability and diversification, and New Mexico has significant

geothermal resource potential across much of the State. The development of geothermal resources, however, is capital-intensive and typically involves extended timelines from exploration through commercial operation (The Future of Geothermal in New Mexico, 2025).

Renaming the tax credit to reference geothermal energy production rather than geothermal electricity generation aligns the credit with a broader range of geothermal applications, including thermal energy production and transfers in addition to electricity generation. This change affects the types of projects that qualify for the credit and supports geothermal development for industrial, commercial, and residential thermal applications as well as electricity production.

The increased availability of tax credits affects the financial feasibility of geothermal energy projects by providing production-based tax benefits over time and supporting long-term project viability. The creation of a multi-year credit structure further supports project development by providing a predictable incentive framework. For projects with long development and production horizons, a defined, production-based credit schedule can support investment planning and financing decisions by improving certainty regarding the timing and availability of tax benefits.

Geothermal development also has implications for workforce utilization and economic activity. Geothermal projects rely on drilling, subsurface analysis, and operational skills that overlap with New Mexico's oil and gas sector, supporting workforce retention and transition. In addition, geothermal resources located on tribal lands present opportunities for tribal participation through project development, employment, and long-term revenue generation.

While expanding the total annual aggregate amount of tax credits increases the State's forgone tax revenue, the factors discussed above have the potential to support additional economic activity in the State and generate tax revenues through new projects and employment.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

The Future of Geothermal in New Mexico. 2025. Project InnerSpace, New Mexico Institute of Mining and Technology, and the New Mexico Bureau of Geology and Mineral Resources. <https://projectinnerspace.org/resources/Future-of-Geothermal-in-New-Mexico.pdf>

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS