

LFC Requester:

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### AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

#### SECTION I: GENERAL INFORMATION

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

Date Prepared: 1/26/2026

Check all that apply:

Bill Number: HB 113

Original  Correction   
Amendment  Substitute

Sponsor: Rep. John Block

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

Short Title: RENEWABLE ENERGY PRODUCTION TAX ACT

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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)**

	<b>FY26</b>	<b>FY27</b>	<b>FY28</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:  
 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**

Synopsis:

House Bill 113 seeks to enact the Renewable Energy Production Tax Act (“Act”) to impose a new excise tax on the electricity generated from renewable energy resources in the state. Under HB 113, generating facilities that produce electricity through renewable energy resources would be liable for an excise tax equal to 3.75% of the taxable value of each megawatt-hour of electricity generated from renewable energy resources. Net receipts attributable to the Act would be distributed entirely to the Severance Tax Permanent Fund. The proposed Act would become effective on January 1, 2027.

Section 1 — The bill’s title is the “Renewable Energy Production Tax Act.”

Section 2 — Definitions.

Defines “department” as the Taxation and Revenue Department; “generating facility” as a facility producing electricity using renewable resources; and “renewable energy resource” to include solar, wind, hydropower, geothermal, and biomass (with biomass expressly including agriculture/animal waste, small-diameter timber, salt cedar and other phreatophyte/woody vegetation removed from New Mexico river basins/watersheds, landfill gas, and anaerobically digested waste biomass).

Section 3 — Imposition, Rate, Taxable Value; Name of Tax

Imposes an excise tax of three and three-fourths percent (3.75%) on the taxable value of each MWh of electricity generated from renewable resources in New Mexico. Sets taxable value as the wholesale value established by the United States energy information administration for the southwest regional wholesale market, using the monthly average price for the month of generation; the taxable event occurs upon generation. Names the tax the “renewable energy production tax.”

Section 4 — Exemptions

Exempts electricity produced from renewable resources by:

- (1) the United States (and its instrumentalities);
- (2) the State of New Mexico (and political subdivisions);
- (3) Indian nations, tribes, and pueblos when activities or transactions occur on sovereign territory;

(4) foreign nations (and their instrumentalities) when required by treaty; a

Also exempts electricity produced for the producer's personal consumption, including excess not consumed by the producer up to 500 kWh in any 24-hour period.

#### Section 5 — Due Date for Payment

Tax payments are due on or before the 25th day of the month following the month of generation.

#### Section 6 — Tax Administration Act Applicability (Amendment to §7-1-2 NMSA 1978)

Amends the Tax Administration Act's applicability section to add the Renewable Energy Production Tax Act to the list of taxes administered and enforced by the department.

#### Section 7 — Distribution of Net Receipts

Directs distribution under §7-1-6.1 NMSA 1978 of net receipts from the renewable energy production tax to the severance tax permanent fund.

#### Section 8 — Applicability

Applies to production of electricity from renewable resources on and after January 1, 2027.

#### Section 9 — Effective Date

Effective January 1, 2027

### **FISCAL IMPLICATIONS**

Note: See below discussion in Significant Issues Section.

### **SIGNIFICANT ISSUES**

HB 113 seeks to impose an excise tax on renewable energy sources similar to the taxation of current extractive energy sources (i.e. oil and gas). This would be a significant shift as it may impede the state's buildup of its renewable energy infrastructure under the Renewable Energy Act (NMSA 1978, §§ 62-16-1 to 62-16-10) ("REA"). The REA currently mandates that the state increase renewable energy production, setting standards of 50% renewable energy by 2030, 80% by 2040, and 100% by 2045. Further, HB 113 would offset several tax credit/incentive programs aimed to encourage investment into renewable energy sources (e.g. the geothermal electricity generation corporate income tax credit NMSA 1978, § 7-2A-24.1, the agricultural biomass corporate income tax credit NMSA 1978, § 7-2A-26, or the renewable energy production tax credit, § 7-2A-19). Further, efforts to pass the cost of this tax on to consumers could result in higher utility costs for ratepayers.

### **PERFORMANCE IMPLICATIONS**

N/A

### **ADMINISTRATIVE IMPLICATIONS**

N/A

### **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**

Status quo.

**AMENDMENTS**

N/A