

LFC Requester:

None

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: 2/9/26

Check all that apply:

Bill Number: HB 113Original Correction Amendment Substitute Sponsor: Rep. John Block

Agency Name

and Code

State Land Office - 539

Number:

Short RENEWABLE ENERGYPerson Writing Sunalei StewartTitle: PRODUCTION TAX ACTPhone: 505-827-5755 Email sstewart@nmslo.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
None	None		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
None	Indeterminate (Negative)	Indeterminate (Negative)	Recurring	Land Maintenance Fund

(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	None	None	None			

(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:

This bill would create a Renewable Energy Production Tax Act imposing a 3.75% excise tax on the taxable value of each megawatt-hour of electricity generated from renewable energy resources. “Renewable energy resource” is defined as solar, wind, hydropower, geothermal or biomass used as an energy resource.

The Act would exempt renewable energy production by (1) the United States; (2) the state of New Mexico or any political subdivision; (3) an Indian nation, tribe or pueblo from activities or transactions occurring on its sovereign territory; (4) a foreign nation or agency, instrumentality or political subdivision when required by a treaty. The Act would also exempt renewable energy production for the personal consumption of the producer, including any excess not exceeding 500 kWh in a 24-hour period.

The revenue from this tax would be distributed to the Severance Tax Permanent Fund. The bill would have an effective date of January 1, 2027 and apply to production occurring on and after January 1, 2027.

FISCAL IMPLICATIONS

The new tax would likely reduce renewable energy production on state trust lands as well as the amount the agency would be able to charge in future leases, thus reducing New Mexico State Land Office (NMSLO) revenues in an undetermined amount. Money earned by the NMSLO supports public schools, universities and hospitals throughout the state and is money that is not required to come from taxpayers. As such, any decrease in NMSLO earnings would result in a reduction in a revenue offset for the General Fund, which in turn would mean that taxpayers must shoulder the difference.

The NMSLO manages about nine million acres of surface estate and 13 million acres of minerals. State trust lands have significant solar, wind, geothermal and biomass potential. HB 45 will have a negative but undetermined impact on the NMSLO’s ability to generate lease revenue from these uses. Wind and solar energy development are poised to play a significant role in the NMSLO’s ongoing efforts to diversify revenue streams, and the various existing and anticipated projects are expected to generate hundreds of millions of dollars (over the life of the projects, which generally range between 30-50 years). To date, the development of geothermal resources on state trust lands has been minimal, but is expected to substantially increase in FY27 and subsequent years (the NMSLO is in the final stages of updating its geothermal rule).

NMSLO’s Office of Renewable Energy (ORE) earned over \$27 million over the last five fiscal years, and \$8.25 million so far in FY25, and over \$3 million so far in FY26. There are 87 active solar and wind leases, with 31 pending applications. Wind leases have provided about 85% of that revenue, yet several of the NMSLO’s largest wind farm leases are still in the development

stage with significant anticipated revenue increases once the projects are operational. Once these projects start to sell power, the NMSLO receives substantially higher base rents and percent of revenue rent payments. Revenues from existing leases will increase over time absent any further disincentive to develop as initially planned.

Considering the number of leases still in development as well as the size of the applications, ORE revenues will likely be consistently in the tens of millions in the near term and in the hundreds of millions in the longer term. The state's overall financial gain from this excise tax would be offset to some extent by the, predictable if not quantifiable, loss of lease revenue experienced by the NMSLO. Moreover, an undetermined number of project proponents may move to other states to avoid the additional tax burden imposed by HB 113.

The NMSLO also receives significant revenue from transmission lines that are related to the growth of renewable resources. For example, the NMSLO is expected to receive about \$50 million for each of the SunZia and Rio Sol transmission lines. Any reduction in renewable energy growth could also impact NMSLO revenues on the transmission side.

SIGNIFICANT ISSUES

The anticipated effect of this proposed new tax can be seen in a recent example provided by Wyoming. After Wyoming passed a \$1 per MW/hr tax on wind power generation, total wind power generation in that state went flat during the same time that other states without a similar tax experienced an increase in wind development. If an excise tax on all renewable electricity generation was implemented in New Mexico, the same result could be expected, stagnating development of these sustainable energy resources on state trust land and across the state. New Mexico has tremendous renewable energy potential, but it is not the only state where these opportunities exist.

The text of the bill states that the taxable event is the generation of electricity, and that the wholesale price by which the tax is calculated, is the (daily) average for the month in which electricity is generated. That pencils out to at 45% ANNUAL tax (3.75%/month) on the wholesale price of any electricity produced. This will absolutely close New Mexico's doors to future renewable energy projects on state trust lands. In addition to stalling existing projects not yet in the production stage as stated earlier, it will undoubtedly drive up prices to end users receiving power generated by projects currently in the production phase.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to HB 62 (RENAME & CREATE GEOTHERMAL TAX CREDITS)

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

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