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| LFC Requester: | |
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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: 1/24/2026 *Check all that apply:*
Bill Number: HB113 Original Correction
 Amendment Substitute

Sponsor: Rep. John Block **Agency Name and Code:** NM RETA
Short Title: Renewable Energy Production Tax **Number:** _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------|---------------------------|---------------|
| FY26 | FY27 | | |
| | | | |
| | | | |

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: HB 113 would enact the *Renewable Energy Production Tax Act*, imposing an excise tax equal to 3.75% of the taxable value of each megawatt-hour (MWh) of electricity generated from renewable energy resources in New Mexico, defined to include solar, wind, hydropower, geothermal, and biomass. The tax would apply beginning January 1, 2027 and net receipts would be distributed to the Severance Tax Permanent Fund.

FISCAL IMPLICATIONS

Imposing a production tax on renewable electricity risks signaling a shift from incentivizing renewable investment to penalizing it. Renewable developers generally make long-term capital investment decisions based on stable policy that will ensure a safe return on investment. Introducing a production tax increases risk and potentially raises the cost of capital for projects that already operate on thin margins, especially for new and emerging energy technologies.

New Mexico has historically been supportive of emerging energy technologies through tax incentives that attract renewable energy projects. While these tax incentives usually sunset, this new production tax introduces inconsistency in tax policy, potentially reducing the attractiveness of New Mexico as a destination for renewable energy development.

SIGNIFICANT ISSUES

Diminished Transmission Development

- RETA partners with developers to build large scale transmission and energy storage projects, facilitating massive investments in the state that are enabled by robust renewable energy generation. A tax on production would significantly reduce revenue expectations that underpin the financial models for transmission projects. If renewable energy production yields lower net revenues, this can weaken the financial feasibility for transmission and energy storage projects for power producers.
- As it is, Western states face a severe transmission deficit. Independent planning studies and regional analyses indicate that the Western Interconnection will require substantial additional transmission capacity over the coming decades to support grid reliability and the generation required to meet surging demand for electricity. [This study](#) estimated that the Western United States could need roughly 15,000 to 29,000 miles of new high-voltage transmission infrastructure by 2045.

Risks to Achieving New Mexico's Clean Energy Goals

- New Mexico mandates increasing renewable energy and zero-carbon standards under the Energy Transition Act. Renewable energy production and the associated transmission build-out are core to complying with these standards.
- A generation tax diminishes the economic base for renewables relative to fossil fuel generation, potentially slowing the pace at which clean energy resources are deployed. This misalignment with state policy would likely increase compliance risk for ETA targets.

PERFORMANCE IMPLICATIONS

RETA's statutory mission is aligned with expanding renewable infrastructure and supporting state clean energy mandates. A tax that hinders generation growth runs counter to this mission by making the core asset (renewable energy) less competitive versus non-renewable generation. This, in turn, challenges RETA's ability to secure partnerships and financing predicated on robust generation metrics and would reduce the state's economic benefits of the RETA projects and associated generation.

ADMINISTRATIVE IMPLICATIONS

N/A

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 113 is in conflict with the mandates set forth in the Energy Transition Act, the current Severance Tax Act, as well as other tax incentives for renewable energy sources such as geothermal, solar, and agricultural biomass.

Electricity made with renewable energy should not be charged a severance tax based on the definition of "natural resource" set forth in the Severance Tax Act. According to this Act, a natural resource is "timber and any metalliferous or nonmetalliferous mineral product, combination or compound thereof but does not include oil, natural gas, liquid hydrocarbon, individually or any combination thereof, or carbon dioxide."

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 113 is not enacted, electricity generated from renewable resources will not be taxed and will continue to be an economic development tool for New Mexico that will help the state reach ETA mandates and provide clean, affordable, and reliable energy to New Mexico ratepayers.

AMENDMENTS