

**Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department**

January 30, 2026

Bill:
HB-154

Sponsor:
Representatives Meredith A. Dixon, Linda Serrato, and Joshua N. Hernandez

Short Title:
Advanced Energy Product Definition

Description:
This bill amends the definition of an “advanced energy product” in the advanced energy equipment tax credit for personal income tax (PIT) and corporate income tax (CIT). The amendment removes the reference to Section 45X of the Internal Revenue Code (IRC) for this credit and instead specifically lists the “advanced energy products” that are eligible for the credit. Eligible advanced energy products are the same as those that were allowed with the federal definition, with the addition of fusion advanced energy products. The bill requires that this credit be added to the tax expenditure budget report.

Effective Date, Applicability, and Contingency Language:
Not specified or 90 days following adjournment (May 20, 2026). Applicable to taxable years beginning on or after January 1, 2026.

Taxation and Revenue Department Analyst:
Chen Xie and Lucinda Sydow

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	(\$10,000)	--	--	--	R	General Fund

* In thousands of dollars. Parentheses () indicate a revenue loss.

Methodology for Estimated Revenue Impact:
The current credit has an annual cap of \$25 million. The Consensus Revenue Estimating Group’s (CREG) 2025 December forecast assumes an uptake of the credit beginning in FY2027 at \$15 million and then reaching the \$25 million cap amount in FY2028 and beyond. This leaves an estimated \$10 million of existing cap that may be claimed by other taxpayers in FY2027.

The bill proposal adds to the definition of “advanced energy product”, “a fusion machine” and associated components to facilitate fusion processes. Pacific Fusion has announced locating in New Mexico and building facilities in Albuquerque and Los Lunas. The Albuquerque City Council authorized \$776.6 million in Industrial Revenue Bonds (IRBs) for the Fusion Center¹ to support the construction of Pacific Fusion’s proposed 225,470-square-foot research and development (R&D) facility in Albuquerque. Pacific Fusion plans to create 226 new jobs by the end of 2028, with a total payroll of \$35.7 million. Based on the public announcement of the scale of Pacific Fusion’s investment and goal of commercializing fusion energy, it is Tax & Rev anticipates that this taxpayer will qualify for the credit and may absorb the additional \$10 million of credits in FY2027 and that the annual cap will be reached every year.

Policy Issues:
The proposed changes to include fusion in the advanced energy equipment credit will take New Mexico one step further towards its goal of being the national leader in encouraging emerging technologies to

¹ [Albuquerque City Council Authorizes \\$776.6 Million Industrial Revenue Bonds for Fusion Center — City of Albuquerque](#)

perform R&D and manufacturing of renewable energy in New Mexico and bring associated high-skilled and high-wage jobs to the states. This is particularly crucial for New Mexico to increase job opportunities with better pay for New Mexicans. Being a leader in the advancement of these technologies may encourage more of our youth to further their education by becoming experts in advanced technologies.

The inclusion of fusion as an advanced energy further strengthens the ability to meet Executive Order 2019-003, titled "Addressing Climate Change and Energy Waste Reduction," issued by Gov. Michelle Luján Grisham on January 29, 2019. The order focuses on addressing climate change, promoting renewable energy, and reducing energy waste in the state of New Mexico.

Current law defines “advanced energy products” by reference to the federal definition in Section 45X of the Internal Revenue Code (IRC). Federal legislation, H.R. 1 (the One Big Beautiful Bill Act), enacted in July 2025, repealed all credits under IRC Section 45X beginning in tax year 2032 and repealed credits associated with wind energy effective January 1, 2028. As a result of the federal repeal, New Mexico’s Advanced Energy Tax Credit would become ineffective unless its definition is decoupled from the federal tax code. To preserve the effectiveness of the credit, this bill amends the definition of “advanced energy product” in state law. The bill replaces the existing definition, which requires a product to meet the eligibility requirements of under IRC Section 45X, with a state definition. The amended definition mirrors the current federal definitions contained in IRC Section 45X but additionally includes “fusion machines” as a qualifying advanced energy product. By decoupling the state definition from federal law, the bill ensures continuity and ongoing administration of the advanced energy tax credit, notwithstanding future federal changes or repeals.

While Tax & Rev often has concerns about the proliferation of tax credits and deductions in the Tax Code, the use of such incentives to encourage new and developing industries is one situation where their use is warranted. The success of incentives in developing other alternative and renewable energy sources and systems, especially solar energy systems and wind power, is evidence that tax incentives can be an important element in growing new businesses and industries in the state. Furthermore, the current proposal maintains the limited duration of the credit and the credits annual cap of \$25 million and so maintains the design to support the growth of new industries in New Mexico without long-term subsidization.

Technical Issues:

None.

Other Issues:

None.

Administrative & Compliance Impact:

Tax & Rev will update forms, instructions and publications and make information system changes. Staff training to administer the credit will take place. This implementation will be included in the annual tax year changes.