

**NMDOT BILL ANALYSIS
2026 REGULAR SESSION**

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

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

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: 2/13/2026

Bill No. HB 298/HTRCa

Sponsor: Luis M. Terrazas and
Derrick J. Lente

Agency/ Code: NMDOT - 805 - Rail Bureau

Person Writing Analysis: Kevin Olinger

Short Title Rail Infrastructure Tax Credit

Phone: (505) 439-3595 Email: Kevin.Olinger@dot.nm.gov

SECTION II: FISCAL IMPACT

Not applicable.

SECTION III: NARRATIVE

BILL SUMMARY

House Bill 298 (HB 298) grants to Class 2 or Class 3 railroads corporate income tax credits equal to fifty percent (50%) of the eligible railroad's qualified expenditures up to a maximum credit of \$5,000 per mile of track owned or leased by the railroad in New Mexico. The total amount of tax credits that may be issued in a calendar year is capped at \$1,000,000. These tax credits must be earned in taxable years prior to January 1, 2036.

HB 298, as amended by the House Taxation & Revenue Committee (HTRC), provides that new rail infrastructure expenditures are not eligible for the tax credit. Only rail reconstruction or replacement expenditures are eligible.

HB 298 requires taxpayers seeking a tax credit pursuant to the bill to apply for a certificate of eligibility from the New Mexico Department of Transportation (NMDOT) no later than three months after the end of the taxable year in which the qualified expenses are incurred. After NMDOT determines that a taxpayer meets the requirements for claiming the tax credit, NMDOT may issue to that taxpayer a certificate of eligibility that includes the amount of the tax credit allowed pursuant to this bill. NMDOT will also publish on its website the number of certificates of eligibility issued each calendar year. If a railroad applies for and meets the requirements for the tax credit, but the maximum aggregate amount of credits has been certified for that taxable year, NMDOT shall consider the certification in the next calendar year. NMDOT may, but is not required to, promulgate rules necessary for administering the determination of eligibility for tax credits.

The certificate of eligibility may be submitted with the taxpayer's return or sold, exchanged, or otherwise transferred to another taxpayer. The New Mexico Taxation and Revenue Department (TRD) must be notified within ten days of any sale, exchange, or other transfer of the certificate of eligibility. Applications for a tax credit must be submitted to TRD, along with the certificate of eligibility, within 12 months following the calendar year in which the qualified expenditures are incurred.

HB 298 mandates NMDOT to analyze the effectiveness and cost of the credit and whether the credit is performing the purpose for which it was created and shall report the number of jobs retained or created as a result of the credit and any other information required by the legislature to aid in evaluating the effectiveness of the credit.

Finally, HB 298 amends Section 7-1-8.8 NMSA 1978 to allow TRD to share tax return information concerning the rail infrastructure income tax credits and rail infrastructure corporate income tax with NMDOT for the purpose of NMDOT determining the eligibility for a certificate.

FISCAL IMPLICATIONS

None identified.

SIGNIFICANT ISSUES

HB 298 would require NMDOT to establish procedures for and subsequently administer a program to both certify eligibility of specific projects for the tax credit and determine the amount of tax credit allowed for each project. HB 298 also requires NMDOT to prepare economic impact reports documenting the effectiveness of the tax credit. None of these responsibilities are something that NMDOT currently undertakes, nor are they within the expertise of the NMDOT.

Additionally, HB 298 excludes expenditures used to qualify for a federal tax credit as being eligible for a New Mexico tax credit. 26 U.S. § 45G provides for a railroad track maintenance tax credit, which allows Class 2 and Class 3 railroads to claim a tax credit for "qualified railroad track maintenance expenditures" that has essentially the same definition as that used for "qualified reconstruction or replacement expenditures" in HB 298. It is not clear whether the intention is for NMDOT to determine whether the railroad has requested a federal tax credit as part of its process to issue a certificate of eligibility, or whether TRD would make this determination after the railroad submits its application for a tax credit. If this is a NMDOT responsibility, it would require NMDOT to have access to each railroad's documents requesting the federal tax credit, which may require receiving and reviewing the railroad's federal tax return. If this is a TRD responsibility, undertaken only after the tax credit is applied for, TRD would need access to the railroad's documents requesting a federal tax credit, and there is the potential that TRD's review may determine a certificate of eligibility that has been sold, exchanged, or otherwise transferred to another taxpayer may not be eligible for a tax credit to the taxpayer that submits it.

As amended by the House Taxation and Revenue Committee (HTRC), the bill does not provide an incentive for Class 2 and Class 3 railroad operators to undertake construction of new rail infrastructure to provide rail access to businesses and industrial parks desiring such connectivity to the national rail network. The amendment also reduces the amount of tax credits available for

Class 2 and Class 3 operators to incentivize reconstruction and replacement of existing infrastructure, thereby reducing the number of projects undertaken each year.

PERFORMANCE IMPLICATIONS

HB 298 would require NMDOT to either hire new staff or train existing staff to administer and evaluate a program that both determines the eligibility of projects for receiving a tax credit and the amount of credit allowed for the project.

ADMINISTRATIVE IMPLICATIONS

HB 298 would require NMDOT to either hire new staff or train existing staff to administer and evaluate a program that both determines the eligibility of projects for receiving a tax credit and the amount of credit allowed for the project.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Except as provided in amendments below, HB 298 is identical to SB 93 introduced earlier in the 2026 Regular Session, and similar to SB 129 from the 2025 Regular Session of the Legislature and SB 28 from the 2024 Regular Session. A notable change between the current bill and the 2025 bill is the shift in responsibility for evaluating the economic impacts of the project to NMDOT from TRD.

TECHNICAL ISSUES

None identified.

OTHER SUBSTANTIVE ISSUES

None identified.

ALTERNATIVES

None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Class 2 and Class 3 railroads in New Mexico would not be able to claim state tax credits for reconstruction or replacement expenditures or for new infrastructure expenditures.

AMENDMENTS

None.