

LFC Requester: _____

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

Check all that apply:
Original X **Amendment**
Correction **Substitute**

Date 1/23/26
Bill No: SB 55

Sponsor: Senator Stewart
Short Title: New Solar Market Development Tax Credit Amendment
Agency Name and Code: EMNRD 521
Number: _____
Person Writing: Ben Bajema
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY27	FY28		
0	0		
0	0		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY27	FY28	FY29		
0	0	0		
0	0	0		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY27	FY28	FY29	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	0	0	0			

(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:

SB 55 amends 7-2-18.31 NMSA 1978 New Solar Market Development Income Tax Credit to:

- 1) Increase the percentage of the purchase & install costs eligible for the tax credit from 10% to 30%.
- 2) Increase the tax credit cap from \$6000 to \$9000 per taxpayer per year.

The aggregate annual cap remains at \$30 million per year.

FISCAL IMPLICATIONS

There are no fiscal implications for the Energy, Minerals and Natural Resource Department (EMNRD) because the aggregate cap remains untouched at \$30 million, EMNRD has already developed an application portal, and EMNRD has adequate staffing to administer the tax credit. While changes in the percentages available to claimants may result in an uptick in claims, EMNRD's current staffing levels should be sufficient to meet the demand.

SIGNIFICANT ISSUES

New Mexico's geographic positioning offers some of the highest irradiance levels in the country, which positions solar as a viable option to lower emissions, lower bills, and stabilize household utility bill costs across the state. The existing state tax credit has experienced high uptake since its inception in 2020. More than 18,000 New Mexican households have saved about \$1500 in electricity bills per year. The credit added over 135 megawatts of clean affordable electricity to the grid.

Solar installation costs began rising across the industry in early 2024, increasing the financial barrier for low- and moderate-income households. Increasing the state credit percentage or cap would help maintain adoption by lowering upfront costs and expanding access to rooftop solar.

New Mexico previously offered a 10% Solar Market Development Tax Credit from 2006–2016, which many households paired with the federal Investment Tax Credit (ITC) to make rooftop solar affordable. The Legislature reinstated the credit in 2020 at the same 10% rate. During both periods, New Mexicans commonly “stacked” the state credit with the federal ITC (30% under the Inflation Reduction Act) to reduce upfront costs by up to 40%.

In addition to rising installation costs, H.R. 1, signed into law in 2025, amends and accelerates the sunset of multiple IRA clean-energy tax credits, including provisions affecting the federal ITC. H.R. 1 terminated the 30% federal ITC for residential solar on December 31, 2025. Households installing systems in 2026 and beyond will no longer be able to stack the federal ITC with New Mexico's 10% state credit, creating significant uncertainty for families planning solar investments. Increasing the state credit percentage or cap would help maintain adoption and affordability even as federal incentives are reduced or phased out.

ECAM notes that New Mexicans consistently ask whether the NSMDTC applies to the purchase and installation of battery storage systems. It does not.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

The bill would require both rulemaking and operational process changes. EMNRD will need to update the electronic platform used to certify tax credit applicants, and Energy Conservation and Management Division would work closely with IT staff to automate the certificate-of-eligibility process, which is currently handled through a manual mail-merge workflow. All related web pages, application portals, and constituent-facing materials would also need to be revised to ensure forms and publications reflect the new requirements.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The New Solar Market Development Income Tax Credit would remain capped at \$6,000 per taxpayer per year, and only 10% of the purchase and installation cost of a qualified solar system would continue to be eligible. Without an increase in the credit percentage or cap, households, particularly low and moderate-income families, would face higher upfront costs and reduced ability to adopt rooftop solar as federal incentives phase out.

AMENDMENTS