

# New Mexico Solar Market Development Tax Credit Program

Briefing to the Legislative Water & Natural Resources Interim Committee

October 27, 2022



Energy, Minerals and Natural Resources Department

# Legislative Charge

In 2020, the New Mexico Legislature passed the New Solar Market Development Tax Credit (SMDTC), a law that reinstated a very popular and successful solar tax credit that expired in 2016.

It charged the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) to establish rules to determine eligibility for issuing system certification that include:

- proof of purchase and installation of a solar thermal or photovoltaic system (NMAC 3.3.14.8.A), and
- technical specifications and requirements relating to safety, code and standards compliance, solar collector orientation and sun exposure, minimum system sizes, system applications and lists of eligible components and any additional information to determine eligibility for the credit (NMAC 3.3.14.11).

# 2020 Solar Market Development Tax Credit Legislation Summary

- A taxpayer may claim a New Solar Market Development Income Tax Credit for the taxable year in which the taxpayer purchases and installs a solar thermal or photovoltaic system (NMAC 3.3.14.17.B).
- Taxpayers are eligible to receive a 10 percent tax credit (up to \$6,000) for a solar system at their residence, business or agricultural enterprise (NMAC 3.3.14.16.A(1)).
- The law allocated eight million dollars (\$8,000,000) per tax year for this program (NMAC 3.3.14.8.C).
- Requires completed applications are considered in the order received (NMAC 3.3.14.10.A).
- The statute dictates that applications cannot be approved for applications received after the cap limitation has been met in a calendar year (NMAC 3.3.14.10.F).
- Taxpayers have up to 12 months after installation of their system to apply for the credit through TRD (NMAC 3.3.14.17.A).

# 2022 Legislation Update

## New changes in the 2022 SMDTC legislation

- Extended the sunset date of the tax credit from 2028 to 2032.
- Increased the available funding cap from \$8,000,000 to \$12,000,000.
- Allows refund to the taxpayer if the income tax credit exceeds a taxpayer's tax liability.
  - The previous version of tax credit incentive was a nonrefundable carry forward, under the new law tax credit is refundable.

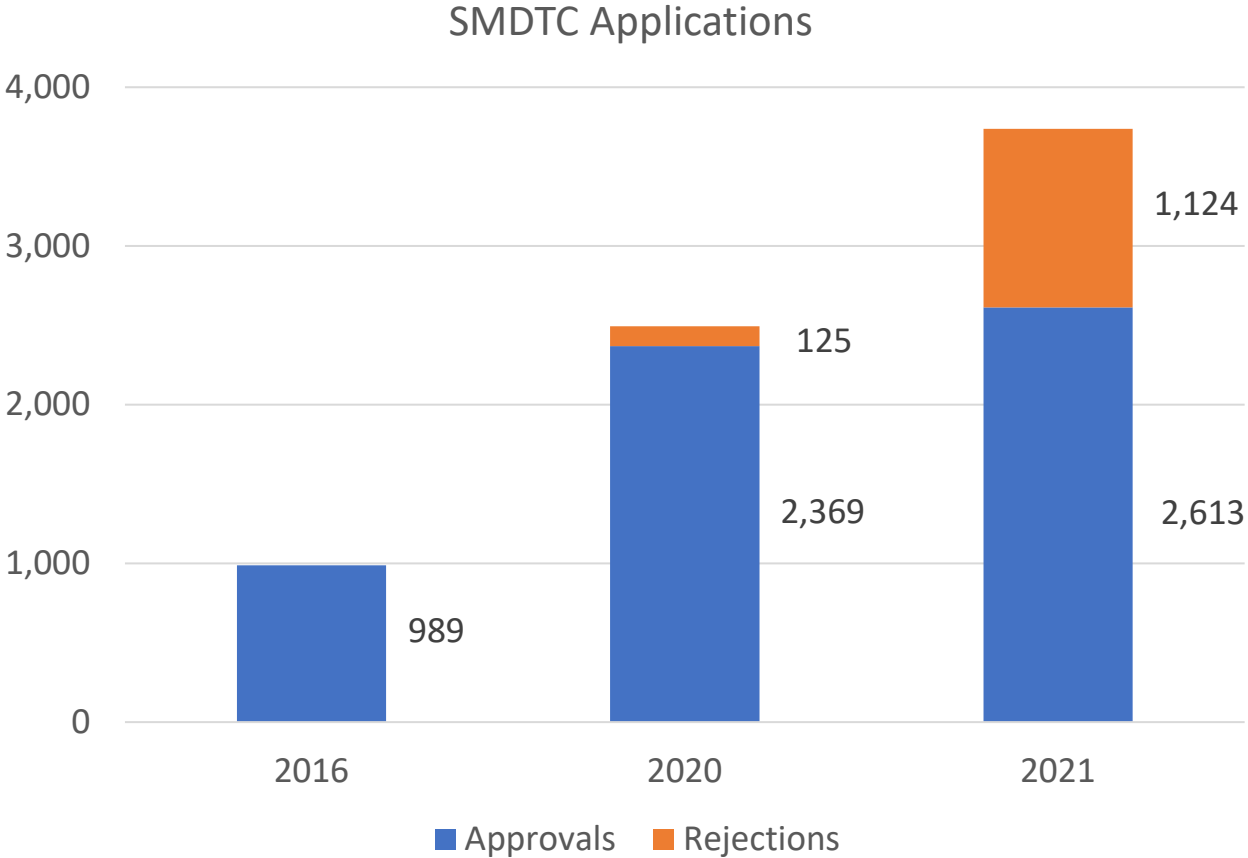
# Implementing the Legislation

- Rules for 2020 legislation were developed and approved.
- Electronic application packet developed, and application portal was launched for application submittal.
- Changes in 2022 required additional rule changes with the public hearing taking place on October 18, 2022.
- Additional improvements are under development to facilitate electronic application submittal.
- Continue to work on improvements to the application process, making changes to the electronic submittal process, conducting outreach to solar industry and customers on program requirements.

# Application Process

- Application are accepted through the department electronic portal (available through our website) and currently mailed-in applications are also accepted.
- Mailed in applications require additional time for manual review, and manual data entry by ECMD staff.
- EMNRD would like to stress that improvement to the electronic application process is on-going.
  - ECMD staff is working with our IT staff to increase application portal efficiency
  - EMNRD goal is to help applicants submit successful applications while providing timely certification.
  - Approved certificates are transmitted electronically to applicants via email.

# SMDTC Program Highlights



- Reached funding cap in 2021
- Increasing quantity of applications show popularity of this program

# Lessons Learned

- The program turned out to be more popular than previously anticipated:
  - The popularity of the Program required that the increase in annual funding cap to \$12 million.
- Additional budget for program operation and to increase staffing resources in ECMD is needed to provide for the timely review and processing of the volume of applications received.
- Outreach to educate and inform the solar industry and potential applicants on the program requirements is needed.
  - This will ensure that industry can assist their customers with providing the required documentation to their customers in a more timely and effective manner.



# SMDTC Dashboard

- Approvals were given in 31 of NM's 33 counties
- 39 companies installed systems in NM

## Solar Market Development Tax Credit Program Highlights

### Total Credit Amount Approved TY 2022

**\$4,988,392**

\$0 \$12,000,000

2022
2021
2020

Colorado Plateau  
Plateau  
Tucson  
Juárez

Esri, USGS | New Mexico State University, Texas Parks & Wi... Powered by Esri

[Dashboard User Information Guide](#)

### County Totals

Projects per 100k residents

- >300
- 153-300
- 66-152
- 1-65
- No Projects

### Estimated Jobs Supported by Investments in Solar Development (Top-5 Counties)

Bernalillo	~1,100
Dona Ana	~400
Santa Fe	~350
Sandoval	~300
Otero	~150

Based on an estimate of 14 jobs per \$1 million invested (Pollin et al. 2013).

### Projects Approved by Tax Year

Click on a bar to change indicators below to reflect only that year. Click in chart area to reset to totals.

### Estimated Average Taxpayer Annual Energy Cost Savings

**\$ 1,465**

Based on a statewide average of \$0.12 per kWh.

### Total Projects

**6,565**

### Total Capacity (MW)

**47.15**

### Estimated Total Jobs Statewide

**2,798**

### Estimated Average Taxpayer Annual Energy

**12,212**

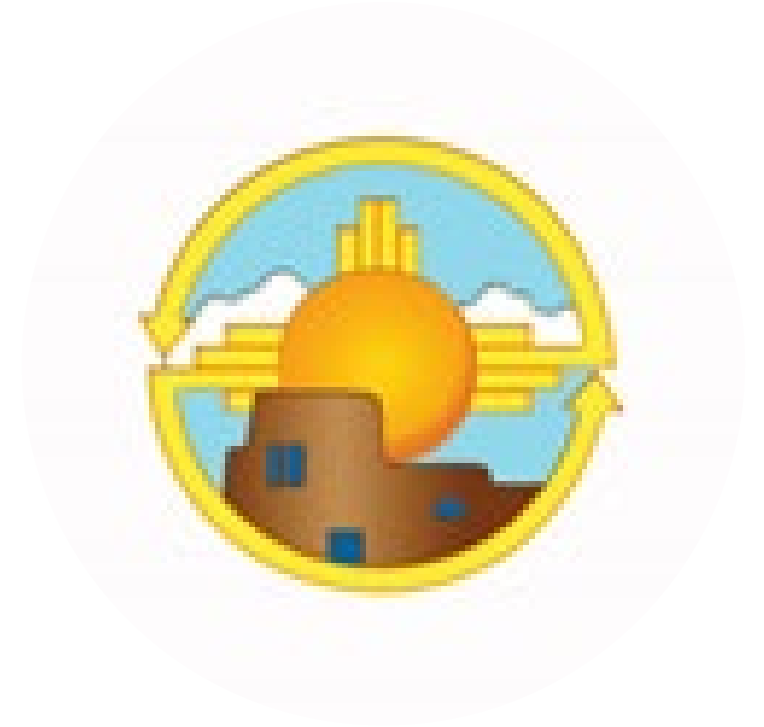
# Questions?

---

Louise Martinez, Director  
EMNRD ECMD

[Louise.n.Martinez@emnrd.nm.gov](mailto:Louise.n.Martinez@emnrd.nm.gov)

505-476-3315



N E W M E X I C O



Energy, Minerals and Natural Resources Department