F I S C A L I M P A C T R E P O R T

SPONSOR Giannini **ORIGINAL DATE** 02/14/10 **LAST UPDATED** **HJM** 63

SHORT TITLE Voltage Regulation Technology Tax Credit **SB**

ANALYST Clifford

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	**FY11**	**FY12**		
	NFI	NFI		

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Joint Memorial 63 would direct the appropriate interim legislative committee to review tax incentives for voltage regulation technology in residences, businesses and agricultural enterprises.

FISCAL IMPLICATIONS

There would be no direct fiscal impacts of the Memorial. EMNRD noted the following about the potential fiscal impacts of House Bill 134:

> Based on EMNRD Energy Conservation and Management Division's (ECMD) administrative experience with other clean energy incentives, the $2,000,000 annual cap would probably not be reached in the early years of the program. The actual tax credits issued may be quite low, because EMNRD may not receive applications that can be certified.

SIGNIFICANT ISSUES

The Memorial notes the following:

- House Bill 134 of the 2010 Session would create a tax credit for voltage regulation technology equipment.
- Existing tax incentives apply to solar energy, coal gasification, alternative energy products, geothermal heat pumps and other nonconventional energy systems.

- The most cost-effective method for conserving energy and providing for the nation's energy security is through advances in energy efficiency including voltage regulation technology.

OTHER SUBSTANTIVE ISSUES

House Bill 134 introduced in the 2010 Session would make taxpayers purchasing and installing voltage regulation equipment in their residence, business or agricultural enterprise eligible for a tax credit of 30 percent of the purchase price up to $9,000. A maximum of $2 million per year in credits could be awarded. Provisions would apply to tax years beginning on or after January 1, 2011 for equipment purchased between 2011 and 2022.

EMNRD:

It is possible for electric utilities' voltage to vary in the delivery of electricity to customers. This is not desirable and can lead to inefficient use of electricity, thus increasing utility bill costs. The tax credit for installation of voltage regulation devices at homes and businesses is intended to reduce utility customer energy costs. However, voltage regulation in New Mexico is not believed to be a problem that requires this remedy.

EMNRD believes that the energy savings claims of voltage regulation devices are not proven on a universal basis that can be applied arbitrarily to any facility, utility service territory, or state. The devices may be effective in certain areas where utility voltage regulation is a problem, but this is not the case for New Mexico. If the devices were implemented in New Mexico, the result would be minimal or no energy cost savings on utility customer electricity bills, due to minimal or no voltage regulation occurring. State government support of this technology through tax credits would not necessarily provide any energy savings or environmental benefits to New Mexico residents. There would be very few or no certified applicants eligible for the tax credit.

TC/mt