

LFC Requester:

Laird Graeser

AGENCY BILL ANALYSIS
2024 REGULAR SESSION

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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 1/25/24

Bill No: HB 187

Agency Name
and Code

EMNRD - 521

Sponsor: Rep Ferrary

Number:

Short Title: School Solar Tax Credit

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Title:

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
0	(204,000.0)	0	Total tax liability	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	30	75	75	180	Recurring	GF

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 187 (HB 187) creates a new credit against personal income tax in the Income Tax Act for installing a photovoltaic system on school property for the purpose of providing electricity to a school building in New Mexico.

The allowable tax credit would equal forty percent of all costs necessary to purchase and install a photovoltaic system, including engineering, permitting, interconnection, support structure, racking, batteries, subcontracting costs and other costs necessary to install a photovoltaic system on school property.

Taxpayers would apply to the Energy, Minerals and Natural Resources Department (EMNRD) for a certification of eligibility. The total aggregate credit allocated is \$204,000,000 in total, over the lifetime of the credit. The application shall include proof of purchase and installation of a photovoltaic system on a school property, proof that the system meets technical specifications and requirements relating to safety, code and standards compliance, system applications appropriate to the school and lists of eligible components and any additional information that the EMNRD may require to determine eligibility for the credit. Credits can be sold, exchanged, or otherwise transferred. The taxpayer shall have up to twelve months following the time at which the relevant utility gives permission to operate to apply for a certificate. That portion of tax credit that exceeds a taxpayer's tax liability in the taxable year in which the credit is claimed shall be refunded to the taxpayer.

EMNRD is directed to file an annual report to the legislature on the tax credit program.

FISCAL IMPLICATIONS

HB 187 effectively creates a new solar tax credit program for individual taxpayers, requiring EMNRD to promulgate a new rule and administer this credit separately from the existing Solar Market Development Tax credit. Given the burden on ECMD's tax team, an additional FTE may be required, though it is difficult to estimate the workload that would be associated with HB 187, and whether it could be absorbed with existing staff.

SIGNIFICANT ISSUES

HB 187 creates an incentive for individuals to donate a solar system to a public school. Public schools are well-positioned to take advantage of on-site solar and could see tremendous energy bill savings from a right-sized installation.

HB 187 creates an individual taxpayer credit for the purchase of a solar installation with different parameters than the existing Solar Market Development Tax credit for individual taxpayers. The eligible costs, tax credit amount and aggregate tax credit allocated by the state are different, creating the need for EMNRD to stand up an entirely new program. It is not clear if the resources required to stand up this program would justify the mere handful of individual taxpayers who would likely take advantage of this tax credit.

PERFORMANCE IMPLICATIONS

Adding another tax credit program to EMNRD's certification responsibilities without adding additional FTE and IT resources could slow down processing for all tax credit certifications, particularly the New Solar Market Development Tax Credit and the Sustainable Buildings tax credit.

ADMINISTRATIVE IMPLICATIONS

EMNRD would need to promulgate a new rule and stand up a new application process for this tax credit certification.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

HB 187 does not specify an annual cap for this tax credit, only a total cap. There is no sunset date.

Also, it is not clear whether a taxpayer making a donation of a solar system to a school would be able to claim both this credit and the existing tax deductions for donations to nonprofits, and if so, whether the latter would comprise their full spend, or the "remaining" 60%.

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill is not enacted, individuals wishing to donate a solar system to a public school will have to meet existing thresholds for claiming charitable donations in order to see a tax benefit for the donation.

AMENDMENTS

None.