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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 154

SHORT TITLE: Advanced Energy Product Definition

SPONSOR: Dixon, Serrato

LAST ORIGINAL
UPDATE: _____ **DATE:** 1/27/26 **ANALYST:** Torres

REVENUE* (dollars in thousands)

| Type | FY26 | FY27 | FY28 | FY29 | FY30 | Recurring or Nonrecurring | Fund Affected |
|--------------------------------------|-----------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---------------------------|---------------|
| Advanced Energy Equipment Tax Credit | Choose an item. | No Impact (see fiscal implication) | No Impact (see fiscal implication) | No Impact (see fiscal implication) | No Impact (see fiscal implication) | Recurring | General Fund |

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Because of the short timeframe between the introduction of this bill and FIR publication, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of House Bill 154

House Bill 154 (HB154) amends the statutory definitions governing the Advanced Energy Equipment Income Tax Credit and the Advanced Energy Equipment Corporate Income Tax Credit to expand and clarify the scope of qualifying “advanced energy products.”

Under current law, eligibility for these credits is tied primarily to products eligible for the federal advanced manufacturing production credit under Internal Revenue Code Section 45X. The bill replaces that cross-reference with a detailed state-specific list of eligible products and components, including:

- solar energy components;
- wind energy components;
- battery components;
- fusion machines and related components;

- a broad list of processed and purified critical minerals; and
- inverters used in renewable energy systems.

The bill also clarifies definitions of “essential,” “manufacturing equipment,” “qualified expenditures,” and “qualified manufacturing facility,” while leaving intact the existing credit structure, which is designed as follows:

- a credit equal to 20 percent of qualified expenditures, capped at \$25 million per taxpayer;
- an annual statewide aggregate certification cap of \$25 million for both personal and corporate income tax credits combined;
- transferability of credits in increments of not less than \$1 million;
- five-year carryforward provisions; and
- certification, reporting, and recapture requirements administered by the Energy, Minerals and Natural Resources Department (EMNRD) in consultation with the Economic Development Department (EDD).

The amendments apply to taxable years beginning on or after January 1, 2026.

FISCAL IMPLICATIONS

House Bill 154 does not change the statutory credit rate, the \$25 million per-project cap, or the \$25 million annual aggregate certification limit for the advanced energy equipment tax credits. According to the December 2025 consensus revenue estimate, expectations are the credit hits the cap and therefore, the changes to the definitions do not increase the cost, as the credit will continue to be limited by the statutory caps.

However, by significantly expanding and clarifying the definition of “advanced energy product,” the bill is likely to increase utilization of the existing credit authority and accelerate claims toward the statutory cap to the extent that:

- additional manufacturers qualify that previously did not meet the narrower federal Section 45X definition;
- more projects seek certification; and
- previously unused or undersubscribed credit capacity is fully claimed.

To the extent the credit successfully attracts large-scale manufacturing facilities, secondary fiscal benefits may include increased gross receipts tax collections, personal income tax withholding, and local property tax base growth. These indirect benefits are uncertain and highly project-specific and are not guaranteed to offset the direct revenue loss from the credits. Furthermore, this type of return does not occur to the extent businesses who are already here or have already chosen to locate here receive this credit.

SIGNIFICANT ISSUES

The bill’s definition of “eligible credits” generally tracks the federal definition of “eligible component” under Internal Revenue Code §45X but differs in several material respects that could expand eligibility beyond the federal program.

First, the state definition explicitly includes “fusion machines and the components of a fusion machine.” Fusion technology is not included in the federal §45X definition of eligible components.

Second, the state definition is less prescriptive than federal law for several major component categories. Federal §45X includes detailed technical and performance criteria for battery cells and modules (such as minimum energy density and capacity thresholds), purity and processing standards for critical minerals, and capacity or system-type specifications for inverters. The state language lists these components broadly but does not incorporate comparable technical thresholds or certification standards. This broader drafting may allow eligibility for lower-value or partially processed components that would not qualify under the federal program, increasing the potential number of qualifying taxpayers.

Third, the federal statute includes additional wind energy components not expressly listed in the state definition, including offshore wind foundations and related offshore wind infrastructure. This omission is not immediately relevant to New Mexico.

Finally, the federal statute includes important limitations not reflected in the state definition, including exclusions for property associated with other federal manufacturing credits, restrictions related to prohibited foreign entities, and statutory phase-outs for certain components beginning in later years. The absence of these constraints in state law may result in broader and longer-lasting eligibility at the state level.

Taken together, these differences suggest that the state definition is both broader and less constrained than the federal §45X definition. This divergence may increase the fiscal exposure of the credit, create eligibility for activities not contemplated in federal law, and introduce administrative necessity to match qualifying components to federal definitions.

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