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Major tax credit programs set to propel the state towards a sustainable and green future

EMNRD hails House Bill 252, driving a robust green energy economy

SANTA FE – The New Mexico Energy, Minerals, and Natural Resources Department (EMNRD) lauds the passage of House Bill 252, the Omnibus Tax Package, sponsored by Rep. Derrick J. Lente. It supports a robust clean energy economy for all New Mexico households and businesses, protecting the environment, human health, and natural resources. The bill now heads to the governor's desk for her signature.

EMNRD will administer the new tax credit programs, which are designed to create a clean energy economy and protect the environment and human health. The programs include the following:

- Tax credits for purchasing clean cars and clean car charging units.
- Expansion of the new Solar Market Development income tax credit for installing solar energy systems on homes and businesses.
- Introduction of a new tax credit for companies constructing advanced energy equipment in New Mexico to recoup some of their pre-production capital costs.
- Extension of industrial revenue bond eligibility to cover utility-scale energy storage facilities.
- Tax credit for installing geothermal heat pumps to heat and cool houses and businesses.
- Tax credit for new production of geothermal electricity and a gross receipts tax deduction for equipment purchased to support that generation.

"We welcome these tax credits, offering incentives for residents to adopt technologies that align with the governor's vision of ushering New Mexico into a future powered by clean energy," said **Dylan Fuge**, EMNRD Deputy Secretary.

The clean car tax credit program offers New Mexico taxpayers a refundable, transferable tax credit of up to \$3,000 when they purchase an eligible new electric vehicle. Those buying a used electric vehicle can receive a \$2,500 credit. For plug-in hybrid and fuel cell-powered vehicles, the available credits are \$2,500 for new and \$2,000 for used. These credits gradually decrease over time and expire in 2029.

To charge these vehicles, a tax credit of \$400 is available for a home charging unit, or the cost to purchase or install the unit, whichever is less. For businesses intending to install commercial-scale direct current fast chargers or fuel cell charging units, a credit of \$25,000 is available, or the cost to purchase and install the unit, whichever is less.

Changes to the new Solar Market Development tax credit include raising the annual cap on the total amount of credits that can be issued to \$30 million per year. Over the past three years, EMNRD has had

to reject hundreds of solar tax credit applications because the current \$12 million annual cap was quickly reached.

In addition to raising the annual cap, the revisions to the program in HB 252 ensure that tribal members who hold property in leasehold are eligible for the credit. The bill also makes \$20 million in tax credits available to individuals whose applications were rejected after the cap was reached in previous years.

“We advocated for these changes to the solar tax credit program out of a sense of fairness to New Mexico taxpayers who have missed out on this credit through no fault of their own,” said **Rebecca Stair**, Director of EMNRD’s Energy Conservation and Management Division. “We thank our legislators for heeding that plea.”

The advanced energy equipment tax credit is designed to secure New Mexico's participation in the swift re-shoring of energy manufacturing. It provides a tax credit of up to \$25 million for a company that establishes a facility in New Mexico producing advanced energy equipment, as defined in the federal Inflation Reduction Act’s tax provisions. While the federal government incentivizes the production of the equipment itself, New Mexico’s credit rewards the establishment of the facility that will manufacture that equipment right here in the state.

Geothermal ground-coupled heat pumps play a role in efficiently heating and cooling residences and businesses, simultaneously reducing electric bills and greenhouse gas emissions in most cases. The geothermal ground-coupled heat pump credit in HB 252 will assist in defraying the purchase price of these building decarbonization appliances.

In addition to promoting the use of geothermal heat pumps, HB 252 actively supports the growth of the geothermal electricity generation industry in New Mexico. This support comes through the implementation of two key measures:

- Creating a tax credit on geothermal electricity production
- Providing a Gross Receipts Tax (GRT) deduction for equipment purchased to support that generation.

A similar electricity production credit kickstarted the utility-scale wind and solar industries in New Mexico in the 2010s. This credit is poised to do the same for geothermal, representing one of the final pieces of the puzzle in decarbonizing our electricity generation in this state.

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