



evolve real estate Santa Fe
www.EvolveSantaFe.com
phone 505.629.0086
<frank@omahony.com>

Incentives and tax credits available to renewable energy companies locating in New Mexico

The State of New Mexico has declared itself the *Renewable Energy State*, and has added a layer of incentives for that industry on top of its existing incentive portfolio. This document outlines the type of incentives and tax credits that are available to companies either generating energy based on renewable resources, manufacturing products for that industry or building energy efficient structures that meet the LEED certifications.

New Mexico has other advantages for this industry too. Relatively inexpensive land, clear skies, good transportation (BNSF, I-40, I-25) are some. The other advantage is the state's R&D base, which offers partnership and licensing opportunities. These are mainly at the National Labs of Sandia and Los Alamos. Los Alamos, for example, has led the world in hydrogen and fuel cell research and development.

Let Evolve Real Estate be your partner as you navigate these offerings and consider your New Mexico location. Evolve's qualifying broker, Frank O'Mahony, was the State Economic Development Department's marketing director, and continues to be strongly connected to the economic development community at state and local levels.

FEDERAL PROGRAMS

While there are significant Federal tax credits to encourage the *use* of renewable energy, the American Reinvestment and Recovery Act of 2009 (ARRA) authorized the Department of Treasury to award \$2.3 billion in tax credits (“48C credits”) for qualified investments in advanced energy projects, to support new, expanded, or re-equipped domestic *manufacturing* facilities. These awards have already been made, although we will keep a close on eye on whether this program is reauthorized.

NEW MEXICO ANNOUNCEMENTS

Recent renewable energy announcements from New Mexico have included:

- Chevron announced a 1 Megawatt concentrating PV solar facility in the northern New Mexico community of Questa. The installation will consist of 175 panels on 20 acres of land.
- Spanish company GA-Solar has announced the construction of one of the world’s largest PV installations on 2500 acres in southern New Mexico. This array will produce 300 Mw of installed capacity
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- Johnson Plate and Tower will build an 84,000 manufacturing facility in Santa Teresa to build wind towers. The company was awarded \$2,385,000 in 48C Tax Credits credits to help construct the facility.

INCENTIVES & TAX CREDITS FROM NEW MEXICO

GENERATING INCENTIVES

Renewable Energy Production Tax Credit

- applies to 1MW+ systems
- credit is 1c – 4c per kWh
- fully refundable
- some aggregate caps on credits apply

Utility Programs

- Utilities provide credits for clean energy generation
 - o El Paso Electric
 - *small system renewable energy certificate purchase program*
 - o PNM
 - *Performance-based Customer Solar PV program*
 - o Xcel Energy
 - *solar rewards program*

EMPLOYMENT INCENTIVES

Job Training Incentive Program

- Funds classroom and on-the-job training
- 50% - 80% of employee wages and travel expenses for up to 6 months

NM Dept of Workforce Solutions also offers apprenticeship programs and training grants of up to \$4000 per employee

High Wage Job Tax Credit

- Applies to jobs in rural areas with salaries greater than \$28k, in urban areas greater than \$40k
- Can pay 10% of combined salary and benefits for 4 years
- Refundable

Technology Jobs Tax Credit

- Two part credit, paying 4% of R&D expenditures as income tax credit, with a potential additional credit against income tax
- Both of these double in rural areas

Rural Jobs Tax Credit

- \$1000 per new employee for 2-4 years

EQUIPMENT AND FACILITY INCENTIVES

Solar Market Development Income Tax Credit

- 10% credit on purchase/installation of PV or thermal systems
- Up to \$9000 credit
- Can be applied in addition to 30% federal credit

Ground-Coupled Heat Pump Tax Credit

- 30% Income tax credit for systems up to max credit of \$9000
- Can be added to federal credit

Sustainable Building Tax Credit

- Requires LEED certification
- Sliding scale of credit
 - o For example, for Platinum certification, the first 10,000 sq ft attracts a \$3.50/sqft credit

Alternative Energy Product Manufacturer's Tax Credit

- 5% credit against capital expenses applies to manufacturers
- Can be set against gross receipts, compensating or withholding
- Can be carried forward 5 years

Manufacturer's Investment Tax Credit

- 5% credit of the value of qualified equipment brought into NM

Advanced Energy Tax Credit

- Applies to solar thermal, solar PV, geothermal, advanced coal and recycled energy facilities
- 6% of development and construction costs
- Up to \$60 million per facility

Biomass-Related Equipment Compensating Tax, Production & Sales Tax Incentives

- Bio-power equipment may be deducted from compensating tax
- Credit of up to \$50,000 per blending infrastructure facility, set against gross receipts and compensating tax
- Requires min. 2% biodiesel

Industrial Revenue Bonds

- At the discretion of local communities, to minimize property taxes
- Can range from 50% exemption to 20 years, to 75% for 30 years

These incentives show that the State is serious about encouraging renewable energy companies to locate here. We have a tradition of locating & growing energy companies, as the state is one of the US' largest natural gas producers, and a major producer of oil.

We export most of the energy – electricity, oil and gas – that we produce, and so the infrastructure for NM as a base for renewable energy production and distribution is in place. These new energy creation facilities will also provide great opportunities for companies that supply the industry, and the state is committed to training and developing an appropriate workforce for these new businesses too.

Evolve managing broker Frank O'Mahony has a marketing and economic development background. A licensed Realtor, he became marketing director for the State Economic Development Department after a marketing career in Silicon Valley. He now works with site selectors, city & state governments and others to find ideal matches – land, facilities and infrastructure – for renewable energy companies considering New Mexico, and especially the Santa Fe County region. Contact Frank (505.699.3985) to ensure your project gets the state and local attention it deserves, and to get cost-competitive location choices.