

Is the New Mexico Residential Solar Industry Sustainable without a Tax Credit?

Just six years ago, the Solar Market Development Tax Credit came into effect, allowing individuals who installed solar thermal or solar photovoltaics to deduct 10% of purchase and installation costs from their state income tax. That tax credit is set to expire at the end of December 2016.

During the 2015 legislative session, a bill passed to extend the tax credit to 2024 with a gradual reduction in the credit each year until it expires. Introduced by Senator Mimi Stewart, the bill proposed an extension of the credit until 2020, which was amended to 2024 by the House Ways and Means Committee. The amended bill passed the Senate by a vote of 37-5, and the House by a vote of 39-24. Despite broad bipartisan support in the legislature, however, the Governor "pocket-vetoed" the bill.

The Governor did not say why she killed a bill that has benefited citizens in every corner of the state. (The Governor also killed a bill to extend the credit to leased systems, again without explanation). According to the New Mexico Energy, Mineral, and Natural Resources Department (EMNRD), since 2009, New Mexicans in every county - except Harding - have taken advantage of the tax credit. The tax credit also benefits the many New Mexicans employed in the solar economy. The Solar Energy Industry Association reports there are 98 solar-related businesses in the state, including 13 manufacturers, 10 manufacturing facilities, 54 contractor/ installers, 6 project developers, 9 distributors, and 16 other businesses engaged in financing, engineering and legal support. This list does not include the public utilities that have expressed interest, at various times, in becoming involved in rooftop solar development.

That said, the solar economy is not a sure thing, even in solar-rich New Mexico, and the uncertainty surrounding the tax credit does not help. Despite impressive growth over the past ten years, several manufacturers have closed down, or moved to other states. The number of tax credit approved installations increased only 6 percent between 2011 and 2014.

Approved tax credit installations, 2009-2014

Year	Total Statewide	Bernalillo	Dona Ana	Santa Fe
2009	90	27	10	21
2010	449	187	79	72
2011	1095	469	223	129
2012	1068	374	325	131
2013	1133	306	383	151
2014	1143	354	290	159

Source: EMNRD.

One reason for the slow recovery in installations may be the difficult state of New Mexico's economy. The state has the second highest poverty rate in the country, with a 2014 median

income of \$44,803, and the slowest economic growth rate in the region. The price tag of a residential solar system can reach \$20,000 or more, putting the technology – and subsequent energy savings – out of reach of even better-off residents. The tax credit is intended to reduce the actual out-of-pocket cost of a solar system, enabling more persons to take advantage of this local resource, and not coincidentally, sparking employment and economic growth in the local economy.

The Solar Market Development Tax Credit is one of the most effective tools for the state government to promote solar technology and build the state economy using an abundant and free natural resource. Blessed by the sun more than 300 days a year, it makes no sense to abandon the solar credit without a fight. Those in the know at the state legislature recommend the following course of action to ensure that this vital piece of legislation gets another hearing and gains the Governor's signature in 2016.

- Ask the sponsors of the 2015 bill to bring it again (the 2016 session is limited to financial matters, which includes tax credits). Bills can be pre-filed starting on December 15th.
- Track the bill's committee assignments on the legislature's bill finder website.
- Express your interest and make your case to the committee members and the legislative analysts for each committee before each hearing. Give them concise and well-supported documents to make your case. Coordinate with other supporters to cover the bases.
- Get on the email list for committee meeting agendas by talking to the committee secretaries.
- Attend committee meetings and make your case during the public comment period.
- If the bill is passed successfully out of the committees and sent to the floor in the Senate and House for final debate, talk to key legislators to ensure their support.
- If the bill is approved and sent to the Governor, express your interest to her office, emphasizing the benefits to citizens and the state economy.

Sources:

Senate Bill 391 -

<http://www.nmlegis.gov/lcs/legislation.aspx?Chamber=S&LegType=B&LegNo=391&year=15>

EMNRD -

<http://www.emnrd.state.nm.us/ECMD/RenewableEnergy/documents/ResidentialSolarInstallations2008to2015.pdf>

Legislative Committees -

http://www.nmlegis.gov/lcs/committees_standing.aspx

Census Bureau -

<http://www.deptofnumbers.com/income/new-mexico>

Solar Energy Industry Association -

<http://www.seia.org/state-solar-policy/new-mexico>