

Federal and State Incentives

Federal

Residential Solar and Fuel Cell Tax Credit

Incentive Type: Personal Tax Credit

Eligible Renewable/Other Technologies: Solar Water Heat, Photovoltaics, Fuel Cells, Other Solar Electric Technologies

Applicable Sectors: Residential

Amount: 30%

Maximum Incentive: \$2,000 for solar-electric systems and solar water-heating systems; \$500 per 0.5 kW for fuel cells

Carryover Provisions: Excess credit may be carried forward to succeeding tax year

Eligible System Size: Not specified

Equipment/Installation Requirements: Solar water heating property must be certified by SRCC or by comparable entity endorsed by the state in which the system is installed. At least half the energy used to heat the dwelling's water must be from solar in order for the solar water-heating property expenditures to be eligible.

Authority 1: [26 USC § 25D](#)

Date Enacted: 8/8/2005

Effective Date: 1/1/2006

Expiration Date: 12/31/2008

Summary:

Note: [IRS Form 5695 & Instructions: Residential Energy Credits for Tax Year 2007](#) are now available. Also note that the federal tax credits for home energy-efficiency improvements under [26 USC § 25C](#) expired on 12/31/07, but the solar and fuel cell tax credits are available through 12/31/08.

The Energy Policy Act of 2005 ([H.R. 6, Sec. 1335](#)) established a 30% tax credit up to \$2,000 for the purchase and installation of residential solar electric and solar water heating property. An individual can take both a 30% credit up to the \$2,000 cap for a photovoltaics system and a 30% credit up to a separate \$2,000 cap for a solar water heating system. A 30% tax credit up to \$500 per 0.5 kilowatt (kW) is also available for fuels cells. Initially scheduled to expire at the end of 2007, the tax credits were extended through December 31, 2008, by Section 206 of the [Tax Relief and Health Care Act of 2006 \(H.R. 6111\)](#).

Solar water heating property must be certified for performance by the Solar Rating Certification Corporation (SRCC) or a comparable entity endorsed by the government of the state in which the property is installed. Note that the tax credit does not apply to solar water heating property for swimming pools or hot tubs.

The credit is calculated based on the individual's expenditures excluding subsidized energy financing, which is defined as "financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy." *Consumers who receive other incentives are advised to consult with a tax professional regarding how to calculate this federal tax credit.*

If the federal tax credit exceeds tax liability, the excess amount may be carried forward to the succeeding taxable year. Expenditures include labor costs for the onsite preparation, assembly, or original installation of the system and for piping or wiring to interconnect the system to the dwelling.

To be eligible for the credit, a system must be "placed in service" or activated on or after January 1, 2006, and on or before December 31, 2008. Expenditures with respect to the equipment are treated as made when the installation is completed. If the installation is on a new home, the "placed in service" date is the date of occupancy by the homeowner.

For more information about the solar-energy component of this tax credit (including the types and use of eligible property, the credit's interaction with other incentives, and project ownership requirements), see the Solar Energy Industries Association's (SEIA) [Guide to Federal Tax Incentives for Solar Energy](#).

Contact:

Public Information - IRS
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224
Phone: (800) 829-1040
Web site: <http://www.irs.gov>

State

New Mexico

PNM - Customer Solar PV Program

Last DSIRE Review: 08/08/2007

Incentive Type: Production Incentive

Eligible Renewable/Other Technologies: Photovoltaics

Applicable Sectors: Commercial, Residential

Amount: \$0.13/kWh for RECs through 2018

Maximum Incentive: None specified

Terms: System must be 10 kW or less; must be a participant in PNM's net metering program.

Website: <http://www.pnm.com/customers/pv/program.htm>

Effective Date: 3/1/2006

Summary:

In March 2006, PNM initiated a Renewable Energy Credit (REC) purchase program as part of its plan to comply with [New Mexico's renewable portfolio standard](#) (RPS). PNM will purchase RECs from customers who install solar PV systems (up to 10 kilowatts in capacity) at a rate of \$0.13/kilowatt-hour (kWh) through 2018. PNM will then be able to apply these RECs towards their obligations under the state's RPS (which requires 4% of the total generation capacity to come from solar electric by 2020). The program has funding for 1.2 megawatts (MW) of solar installations, at a cost of about \$2.8 million.

Under this program, the electricity output of the PV system is used on-site, and customers retain their net-metering benefit for excess generation. REC payments are based on the system's total output. PNM will purchase RECs from each participant as part of the regular monthly billing process. Participants will receive a monthly invoice documenting the number of kWh produced by the PV system, the number of RECs purchased by PNM, the purchase price per REC and the total price of RECs purchased that billing period. REC

purchase payments will be applied as a credit to the participant's electric bill on a monthly basis. If the amount paid for the RECs is greater than the total of the customer's monthly electric service plus kWh charges, the balance of the REC payment will be carried forward as a credit for the following month's bill if \$20 or less. If the REC payment balance is greater than \$20 after credits to the customer's electric bill have been made, the entire REC payment balance will be paid directly to the customer.

In addition to the program application fee (\$100 for residential customers and \$225 for commercial customers), participants must pay to install a second meter to monitor system output. Customers also must pay a net-metering application fee of \$50 to establish an approved interconnection with PNM.

Applications for this program, for net metering and for interconnection are available on the program web site above.

Contact:

Customer Service

PNM

Customer Generation Programs

Alvarado Square

MS 0510

Albuquerque, NM 87158-0001

Phone: (505) 241-2589

Web site: <http://www.pnm.com>

Renewable Energy Production Tax Credit (Personal)

Last DSIRE Review: 05/30/2008

Incentive Type: Personal Tax Credit

Eligible Renewable/Other Technologies: Solar Thermal Electric, Photovoltaics, Landfill Gas, Wind, Biomass, Municipal Solid Waste, Anaerobic Digestion

Applicable Sectors: Commercial, Industrial, Residential, Agricultural

Amount: \$0.01/kWh for wind and biomass
\$0.027/kWh (average) for solar (see below)

Maximum Incentive: Wind and biomass: First 400,000 MWh annually for 10 years (i.e. \$4,000,000/year)
Solar electric: First 200,000 MWh annually for 10 years (annual amount varies)
Statewide cap: 2,000,000 MWh plus an additional 500,000 MWh for solar electric

Carryover Provisions: Prior to 10/1/2007: Excess credit may be carried forward five years
After 10/1/2007: Excess credit is refunded to the taxpayer

Eligible System Size: Minimum of 1 MW capacity per facility

Equipment/Installation Requirements: System must be new and in compliance with all applicable performance and safety standards; generators must be certified by the New Mexico Energy, Minerals, and Natural Resources Department (EMNRD).

Website: <http://www.cleanenergynm.org>

Authority 1: [N.M. Stat. § 7-2-18.18](#)

Date Enacted: 4/3/2007

Effective Date: 1/1/2008

Expiration Date: 1/1/2018

Summary:

Enacted in 2002, the New Mexico Renewable Energy Production Tax Credit provides a tax credit against the personal income tax of one cent per kilowatt-hour for companies that generate electricity from wind or biomass. Companies that generate electricity from solar energy receive a tax incentive that varies annually according to the following scale:

Year 1: 1.5¢/kWh
Year 2: 2¢/kWh
Year 3: 2.5¢/kWh
Year 4: 3¢/kWh
Year 5: 3.5¢/kWh
Year 6: 4¢/kWh
Year 7: 3.5¢/kWh
Year 8: 3¢/kWh
Year 9: 2.5 ¢/kWh
Year 10: 2¢/kWh

According to the EMNRD, this incentive averages to 2.7¢/kWh annually.

For wind and biomass generators, the credit is applicable only to the first 400,000 megawatt-hours (MWh) of electricity in each of 10 consecutive taxable years. For solar, the credit is applicable only to the first 200,000 MWh of electricity in each taxable year. To qualify, an energy generator must have a capacity of at least 1 megawatt and be installed before January 2018.

Total generation from both the [corporate](#) and personal tax credit programs combined must not exceed two million megawatt-hours of production annually, plus an additional 500,000 MWh produced by solar energy. Taxpayers cannot claim both the corporate and the personal tax credit for the same renewable energy system.

For electricity generated prior to October 1, 2007, excess credit may be carried forward for up to five consecutive taxable years. For electricity generated on or after October 1, 2007, excess credit shall be refunded to the taxpayer in order to allow project owners with limited tax liability to fully utilize the credit.

The renewable energy production tax credit [claim form and instructions](#) provide additional information.

Contact:

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Energy Conservation and Management Division
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Santa Fe, NM 87505
Phone: (505) 476-3319
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E-Mail: mmcdiarmid@state.nm.us
Web site: <http://www.emnrd.state.nm.us/ecmd/>

Solar Market Development Tax Credit

Last DSIRE Review: 03/25/2008

Incentive Type: Personal Tax Credit

Eligible Renewable/Other Technologies: Solar Water Heat, Solar Space Heat, Solar Thermal Process Heat, Photovoltaics, Solar Space Cooling

Applicable Sectors: Commercial, Residential, Agricultural

Amount: 30% of purchase and installation costs, less any federal tax credit

Maximum Incentive: \$9,000

Carryover Provisions: Maximum 10-year carryover

Eligible System Size: No limit.

Equipment/Installation Requirements: Must comply with requirements established in 3.3.28 NMAC (see below); includes requirement for solar water heaters to be SRCC-certified or in the certification process.

Project Review/Certification: System must be certified by the New Mexico Energy, Minerals and Natural Resources Department

Website: <http://www.emnrd.state.nm.us/ECMD/CleanEnergyTaxIncentives/solartaxcredit.htm>

Authority 1: [NM Stat. § 7-2-18.14](#)

Date Enacted: 3/6/2006

Effective Date: 1/1/2006

Expiration Date: 12/31/2015

Authority 2: [3.3.28 NMAC \(Solar System Certification Requirements\)](#)

Effective Date: 7/1/2006

Summary:

In 2006 New Mexico established a 30% personal income tax credit (up to \$9,000) for residents and businesses (non-corporate), including agricultural enterprises, who purchase and install certified photovoltaic (PV) and solar thermal systems. Eligible systems include grid-tied commercial PV systems, off-grid and grid-tied residential PV systems, and (active) solar hot water or hot air systems.

To be eligible, systems must first be certified by the New Mexico Energy, Minerals, and Natural Resources Department. Note that solar pool or hot tub heaters are not eligible for this tax credit.

The credit is designed to leverage and extend, not amplify, the federal solar income tax credits. The federal credit for individuals is also worth 30%, but SB 269 specifically states that the federal and state tax credits can not exceed 30% *combined*. Effectively, the state credit extends the federal individual tax credit past its \$2,000 cap and 2008 deadline; it will kick in for systems that cost more than \$6,666, solar hot air systems (which are not eligible for the federal credit), and systems installed from 2009 through 2015.

Credits may be carried forward for a maximum of ten taxable years until fully expended. Aggregate credit levels are capped annually at \$2 million for solar thermal and \$3 million for photovoltaic systems.

These tax credits are set to expire December 31, 2015.

[Solar System Certification Application](#)
[Solar System Installation Form](#)

Contact:

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