TITLE 3 TAXATION
CHAPTER 3 PERSONAL INCOME TAXES
PART 32 GEOTHERMAL GROUND-COUPLED HEAT PUMP PERSONAL INCOME TAX CREDIT

3.3.32.1 ISSUING AGENCY: Energy, Minerals and Natural Resources Department, Energy, Conservation and Management Division.
[3.3.32.1 NMAC – Rp 3.3.32.1 NMAC, 11/18/2025]

3.3.32.2 SCOPE: 3.3.32 NMAC applies to the application and certification procedures for administration of the tax credit for geothermal ground-coupled heat pumps personal income tax credit.
[3.3.32.2 NMAC – Rp 3.3.32.2 NMAC, 11/18/2025]

3.3.32.3 STATUTORY AUTHORITY: 3.3.32 NMAC is established under the authority of Section 7-2-18.24 NMSA 1978.
[3.3.32.3 NMAC – Rp 3.3.32.3 NMAC, 11/18/2025]

3.3.32.4 DURATION: Permanent.
[3.3.32.4 NMAC – Rp 3.3.32.4 NMAC, 11/18/2025]

3.3.32.5 EFFECTIVE DATE: November 18, 2025, unless a later date is cited at the end of a section.
[3.3.32.5 NMAC – Rp 3.3.32.5 NMAC, 11/18/2025]

3.3.32.6 OBJECTIVE: 3.3.32 NMAC's objective is to establish procedures for administering the certification program for the geothermal ground-coupled heat pump personal income tax credit.
[3.3.32.6 NMAC – Rp 3.3.32.6 NMAC, 11/18/2025]

3.3.32.7 DEFINITIONS:

A. "Accredited installer" means a state of New Mexico licensed Professional Engineer (P.E.) or a New Mexico licensed contractor who has at least one individual who has successfully completed the Ground-Source Heat Pump systems installation course provided by the International Ground Source Heat Pump Association (IGSHPA).

B. "Annual aggregate" means the maximum annual aggregate amount of tax credits that may be certified in a calendar year available to individual and corporate taxpayers.

C. "Applicant" means an individual taxpayer(s) who purchased and installed an operating geothermal ground-coupled heat pump system in New Mexico and who has submitted an application to the department for a certificate of eligibility for a geothermal ground-coupled heat pump tax credit

D. "Application package" means a completed online application and supporting documents, as attachments, that an applicant submits to the division to apply for a certificate of eligibility for a geothermal ground-coupled heat pump tax credit.

E. "Certificate of eligibility" means the document, with a unique certification number, that specifies the amount and taxable year for an approved geothermal ground-coupled heat pump tax credit.

F. "Department" means the energy, minerals and natural resources department.

G. "Division" means the energy, minerals and natural resources department's energy conservation and management division.

H. "Geothermal ground-coupled heat pump" means a heating and refrigerating system that directly or indirectly utilizes available heat below the surface of the earth for distribution of heating and cooling or domestic hot water and that has either a minimum coefficient of performance of three and four-tenths or an energy efficiency ratio of 16 or greater.

I. "Geothermal ground-coupled heat pump system" is a geothermal ground-coupled heat pump and its main component sections such as a ground loop system, heat pump unit, distribution system, control system, and auxiliary components.

J. "Tax credit" means the state geothermal ground-coupled heat pump personal income tax credit

K. "Taxpayer" means an individual subject to the tax imposed by the Income Tax Act Section 7-2-1 NMSA 1978.

L. "Taxpayer identification number" means the taxpayer's nine-digit social security number.

[3.3.32.7 NMAC - Rp 3.3.32.7 NMAC, 11/18/2025]

3.3.32.8 GENERAL PROVISIONS:

A. The state tax credit may be claimed for taxable years beginning on or after January 1, 2024, but before January 1, 2035.

B. A taxpayer who files an individual New Mexico income tax return for a taxable year beginning on or after January 1, 2024 and who purchases and installs after May 15, 2024, but before December 31, 2034, an operating geothermal ground-coupled heat pump in a residence, business or agricultural enterprise in New Mexico owned by that taxpayer may apply for, and the department may certify, a tax credit of up to thirty percent of the purchase and installation costs of the geothermal ground-coupled heat pump system.

C. The department will certify a geothermal ground-coupled heat pump income tax credit only for geothermal ground-coupled heat pumps that are installed by an accredited installer. The department will accept any of the following accreditations from IGSHPA:

(1) Residential/Commercial Installation Tech

(2) Residential /Lt. Commercial GHX Installer

(3) Residential/Commercial Service Technician

(4) GSHP Residential/Commercial System Design

(5) Accredited Installer

(6) Certified Residential Designer

(7) Certified GeoExchange Designer

(8) Certified Inspector

D. The geothermal ground-coupled heat pump shall meet the applicable requirements of the most current New Mexico building code, the New Mexico residential building code, the New Mexico electrical code, the New Mexico mechanical code and the New Mexico plumbing code; shall be installed under a construction permit and shall be inspected and passed by the code official having jurisdiction.

E. If multiple taxpayers own an interest in the property through a partnership or business association, each may claim a tax credit only in proportion to their ownership interest. The application must identify each taxpayer on proof of property ownership when applying for the credit.

F. The department will not certify a tax credit for which a taxpayer claims a 2021 sustainable building tax credit using that geothermal ground-coupled heat pump as a component of qualification for the rating system certification level used in determining eligibility for that credit.

G. If the heat pump was used to meet the energy reduction requirement under the 2021 sustainable building tax credit, energy conserving products, the applicant is ineligible to claim a state tax credit under this section.

[3.3.32.8 NMAC – Rp 3.3.32.8 NMAC, 11/18/2025]

3.3.32.9 TAX CREDIT ADMINISTRATION:

A. The purpose of the department's certification program is to evaluate and certify the eligibility of a geothermal ground-coupled heat pump system.

B. A taxpayer may apply for certification of a geothermal ground-coupled heat pump tax credit from the department in the manner prescribed by the division. The department will not accept paper applications or applications submitted by e-mail unless specifically authorized by the division.

C. To receive a geothermal ground-coupled heat pump tax credit certificate, a taxpayer shall apply to the department on forms and in the manner prescribed by the department within twelve months following the calendar year in which the system was installed.

D. An application package for a geothermal ground-coupled heat pump tax credit shall include a completed state tax credit electronic application and all required attachments.

E. The application package shall meet the requirements of 3.3.32 NMAC. If an application package fails to meet the requirement, the department may disapprove the application.

F. After the department has certified an application, applicants may not amend the certified application package for that geothermal ground-coupled heat pump system.

G. If the department determines that the taxpayer(s) meets the tax credit requirements, the department shall issue a certificate of eligibility to the taxpayer providing the amount of tax credit and the taxable year for which the credit may be claimed.

H. If an applicant has received a tax credit for a geothermal ground-coupled heat pump system under this part, the geothermal ground-coupled heat pump system may not be used to meet the requirements for other tax credits available under state law.

I. The date on which a geothermal ground-coupled heat pump system receives a passing inspection from the local building authority determines the fund year in which the system will be certified. This inspection date serves as official confirmation that the system complies with all applicable codes and standards and is thus complete and ready for service.

[3.3.32.9 NMAC -3.3.32.9 NMAC, 11/18/2025]

3.3.32.10 APPLICATION DATA:

A. The department will not accept paper applications or applications submitted by e-mail unless specifically authorized by the division.

B. To be considered complete, an application must include the state tax credit application form and all required attachments; partial applications will not be accepted.

C. If there are multiple owners of the property on which the geothermal ground-coupled heat pump system is installed that wish to apply for the credit, they must submit a joint application.

D. The application package must meet the requirements of 3.3.32 NMAC. If an application package fails to meet any requirement, the department may disapprove the application.

E. A complete application form shall include the following information:

(1) The applicant's name, mailing address, e-mail address, telephone number and the applicant's social security number.

(2) The address where the geothermal ground-coupled heat pump system is located.

(3) The geothermal ground-coupled heat pump system's type.

(4) The date the geothermal ground-coupled heat pump system received a passing inspection from the local building authority.

(5) The accredited installer's name, address, email address, telephone number, license category.

(6) Manufacturer's heat pump model, specifications, and efficiency ratings, including proof that the system has a minimum coefficient of performance of 3.4 or an energy efficiency ratio of 16 or greater.

(7) A statement the applicant signed and dated, which may be a form of electronic signature if approved by the department, agreeing:

(a) That all information provided in the application package is true and correct to the best of the applicant's knowledge.

(b) Applicant has read the certification requirements contained in 3.3.32 NMAC.

(c) Applicant acknowledges that there are annual aggregate tax credit limits in place for geothermal ground-coupled heat pump systems.

(d) Applicant acknowledges that they have not claimed a 2021 Sustainable Building Tax Credit for using this same geothermal ground-coupled heat pump system as a component of qualification, or for the rating system certification level achieved.

(e) Each geothermal ground-coupled heat pump income tax credit shall not exceed nine thousand dollars ($9,000), per taxpayer, per taxable year.

(f) Applicant agrees to make changes the department requires to the geothermal ground-coupled heat pump application package for compliance with 3.3.32 NMAC.

(g) For the purposes of monitoring compliance with 3.3.32 NMAC, applicant agrees to allow the department or its authorized representative to inspect the geothermal ground-coupled heat pump system owned by the applicant that is submitted for certification, upon the department providing at least five days' notice to the applicant.

(h) Applicant understands that the department must certify the geothermal ground-coupled heat pump system documents in the application package before the applicant becomes eligible for a state tax credit.

(i) If, after the department has issued a certification, any of these requirements are found to be insufficient, the department may rescind the certification.

[3.3.32.10 NMAC - Rp 3.3.32.10 NMAC, 11/18/2025]

3.3.32.11 APPLICATION ATTACHMENTS:

A. An application for geothermal ground-coupled heat pump system shall contain the following information as attachments:

(1) A copy of the property deed, mortgage statement, or property tax bill, or other documents showing the taxpayer's ownership or proportional ownership of the property where the ground-coupled heat pump system was installed.

(2) An itemized invoice from the installer showing the cost of equipment and labor cost for the geothermal ground-coupled heat pump system installation. An itemized invoice is a detailed list of all goods and services provided in a transaction, on official vendor letterhead, clearly identifying contractor, business name and contact information, with a detailed itemized breakdown of labor costs, specifying the work performed and corresponding charges. Some costs are excluded as expenses and are listed in section 3.3.32.15 NMAC.

(3) Manufacturer’s documentation showing that the geothermal ground-coupled heat pump’s model, specifications, and performance ratings meet the required standards.

(4) A copy of the installer's certification from a nationally accredited ground-source heat pump certification program

(5) Final inspection report or certification from a local building authority confirming that the installation complies with applicable building codes and safety standards.

(6) The geothermal ground-coupled heat pump system’s design schematic and technical specifications.

B. The New Mexico energy, minerals, and natural resources department may require additional information from applicants seeking the geothermal ground-coupled heat pump tax credit to verify eligibility. Applicants should be prepared to provide any necessary details to ensure compliance with program requirements.

[3.3.32.11 NMAC - Rp 3.3.32.11 NMAC, 11/18/2025]

3.3.32.12 APPLICATION REVIEW PROCESS:

A. The department shall consider completed applications in the order received.

B. The department shall review the application package to calculate the state tax credit; check the accuracy of the applicant's documentation and determine whether the department shall certify the geothermal ground-coupled heat pump system. The department may disapprove an application that is incomplete, incorrect, or fails to meet the approval criteria.

C. If the department finds that the application package meets the requirements of 3.3.32 NMAC, and a state tax credit is available, the department shall certify the applicant's geothermal ground-coupled heat pump income tax credit.

D. If applicable, the department's disapproval notification will state the reasons why the department returned the application.

E. An applicant may have the opportunity to resubmit the electronic application for a disapproved project, and application will be placed back at the beginning of the queue and reviewed as if it were a new application.

[3.3.32.12 NMAC - Rp 3.3.32.12 NMAC, 11/18/2025]

3.3.32.13 SAFETY, CODES AND STANDARDS:

A. Geothermal ground-coupled heat pump systems that the department may certify must comply with the latest adopted version of all applicable federal, state and local government statutes or ordinances, rules or regulations and codes and standards that are in effect at the time that the applicant installs the geothermal ground-coupled heat pump system.

B. Geothermal ground-coupled heat pump systems that the department may certify must comply with all applicable utility company or heating fuel vendor requirements, if the system is served by a utility company or heating fuel vendor.

C. Geothermal ground-coupled heat pump systems that the department may certify shall Meet the design, permitting and installation provisions of the New Mexico Plumbing Code (14.8.2 NMAC), the New Mexico Mechanical Codes (14.9.2 - 5 NMAC), the New Mexico General Construction Building Codes (14.7.2 - 8 NMAC) and any amendments to these codes adopted by a political subdivision that has validly exercised its planning and permitting authority under Sections 3-17-6 and 3-18-6 NMSA 1978.

[3.3.32.13 NMAC - Rp 3.3.32.11, 11/18/2025]

3.3.32.14 SYSTEM APPLICATIONS AND LISTS OF ELIGIBLE COMPONENTS:

A. Geothermal ground-coupled heat pump systems that the department may certify shall meet the following requirements:

(1) Be made of new equipment, components and materials.

(2) Be a complete system that collects and distributes geothermal energy to the residence, business or agricultural enterprise in New Mexico that it serves.

(3) Have a minimum coefficient of performance of three and four-tenths or an energy efficiency ratio of 16 or greater.

(4) To be eligible for the geothermal ground-coupled heat pump income tax credit as an upgrade or expansion of an existing system, the project must include the installation of a new heat pump that functions as an active component of the expanded system. To be eligible, the newly installed heat pump must be integrated into the operational infrastructure of the system, contributing directly to its heating and cooling performance.

B. Geothermal ground-coupled heat pump systems or their portions that the department shall not certify are as follows:

(1) A system or portion of a system that would be present if the geothermal ground-coupled heat pump system was not installed.

(2) A system that is not connected to a structure or foundation or is not permanently located in New Mexico.

(3) A system not serving a permanent end use energy load or

(4) A system or portion of a system that replaces a system or portion of a system the department has certified in any previous application for any tax credit.

C. System components and installation processes that the department may include in the cost calculation and certify include:

(1) above-ground fluid coolers;

(2) air handlers;

(3) all materials and costs associated with vertical well drilling and horizontal trenching including well casing and tubing;

(4) borehole grout;

(5) boreholes backfill sand or other medium;

(6) buffer tanks;

(7) chill water tanks;

(8) collectors;

(9) compressors;

(10) compressor gas;

(11) controllers;

(12) desuperheaters;

(13) evaporators;

(14) expansion metering devices;

(15) expansion tanks;

(16) expansion valves;

(17) fans;

(18) flow center circulators;

(19) heat exchange refrigerant;

(20) heat exchangers;

(21) hot water tanks;

(22) initial refrigerant;

(23) manifolds;

(24) pumps;

(25) refrigerant compressors;

(26) refrigerant reversing valves;

(27) reverse return headers;

(28) storage tanks;

(29) supply headers;

(30) the system or components directly performing geothermal heating, geothermal air heating, geothermal process heating, geothermal cooling or combinations of geothermal these;

(31) thermal conductivity testing;

(32) thermal expansion valve or "txv";
(33) thermostats;
(34) three-way valves;
(35) tubing;
(36) tubing connections and fittings;
(37) tubing u-bend connections;
(38) turnarounds, and
(39) valves.

[3.3.32.14 NMAC - Rp 3.3.32.12 NMAC, 11/18/2025]

3.3.32.15 CALCULATING THE GEOTHERMAL GROUND-COUPLED HEAT PUMP SYSTEM COST:

A. The state tax credit shall be based on the equipment, materials, and labor costs of a geothermal ground-coupled heat pump system that the department has certified.

B. The department shall certify only those equipment, materials and labor costs of a geothermal ground-coupled heat pump system that are documented in writing. Self-installed systems may be eligible for these costs, except that self-installers may not claim their own labor but may claim labor they hire and must meet all requirements.

C. The cost of a geothermal ground-coupled heat pump system the department certifies shall be the net cost of acquiring the system and shall not include the following:

(1) expenses, including but not limited to:
(a) adjacent structure modification costs;
(b) contractor or inspector travel, mileage, or overnight hotel stays;
(c) costs of structural, surface protection and other building elements that would be included in construction if a geothermal ground-coupled heat pump system were not installed;
(d) financing costs or loan interest;
(e) land costs or property taxes;
(f) legal and court costs;
(g) marketing, promotional or advertising costs;
(h) membership fees;
(i) mortgage, lease or rental costs of the property;
(j) non-descriptive miscellaneous/other items;
(k) repair, operating, or maintenance costs;
(l) research fees or patent search fees;
(m) system resale costs;
(n) system visual barrier costs;
(o) unpaid labor or the applicant's labor;
(p) unpaid equipment or materials;
(q) vegetation maintenance costs;
(r) warranty or extended warranty costs;

(2) income, including:
(a) payments the accredited installer or other parties provide that reduce the system cost, including rebates, discounts and refunds, with the exception of federal, state and local government and utility company incentives;
(b) services, benefits or material goods the accredited installer or other parties provide by the same or separate contract, whether written or verbal; and
(c) other financial incentives provided for geothermal ground-coupled heat pump system installation.

D. The division shall make the final determination of the net cost that the department certifies is eligible for tax credit.

[3.3.32.15 NMAC – Rp, 3.3.32.13 NMAC, 11/18/2025]

3.3.32.16 CALCULATING TAX CREDIT:

A. A geothermal ground-coupled heat pump tax credit the department has certified shall not exceed:
(1) Up to thirty percent of the purchase and installation costs of the system, and
(2) Nine thousand dollars ($9,000) per taxpayer, per taxable year

B. The taxation and revenue department will make the final determination of the amount of state tax credit.

C. The maximum annual aggregate of credits that may be certified in a calendar year by the department is four million dollars ($4,000,000). Applications for certification received after this limitation has been met in a calendar year will not be approved.

[3.3.32.16 NMAC - N, 11/18/2025]

3.3.32.17 CLAIMING THE STATE TAX CREDIT:

A. After EMNRD issues a certificate of eligibility to an applicant a certificate of eligibility holder may then submit a claim for the state geothermal ground-coupled heat pump tax credit with the taxation and revenue department.

B. To claim the tax credit, a taxpayer shall submit to the taxation and revenue department a claim, which shall consist of the certificate of eligibility the department issued to the taxpayer, a completed claim forms the taxation and revenue department has approved and any other information the taxation and revenue department requires

C. That portion of a geothermal ground-coupled heat pump income tax credit that exceeds a taxpayer's tax liability in the taxable year in which the credit is claimed may be refunded to the taxpayer.

[3.3.32.17 NMAC - Rp, 3.3.32.14 NMAC, 11/18/2025]

3.3.32.18 INSPECTION OF GEOTHERMAL GROUND-COUPLED HEAT PUMP

For the purposes of monitoring compliance with 3.3.32 NMAC, the department or its authorized representative shall have the authority to inspect the geothermal ground-coupled heat pump system owned by an applicant who has submitted an application for certification, upon the department providing at least five days' notice to the applicant.

[3.3.32.18 NMAC - N, 11/18/2025]

HISTORY OF 3.3.32 NMAC:

Pre-NMAC History: None.

History of Repealed Material:

3.3.32 NMAC, Certification for Tax Credit for Geothermal Ground-Coupled Heat Pumps, filed 9/15/2010, was repealed and replaced by 3.3.32 NMAC, Geothermal Ground-Coupled Heat Pump Personal Income Tax Credit effective 11/18/2025.