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FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/06
 LAST UPDATED 2/10/06 HB 703/aHGUAC

SPONSOR Gonzales

SHORT TITLE Alternative Liquid Waste System Tax Credit SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(263.0)	(525.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Environment Department (NMED)

SUMMARY

Synopsis of HGUAC Amendment

The House Government and Urban Affairs Committee amends House Bill 703 by changing the definition of the pertinent system. Originally, the credit was for an “alternative on-site liquid disposal system” and this amendment refines the definition to “advanced treatment on site liquid waste system.” This clarifies the type of system eligible for the credit. The fiscal impact assumed that these types of systems were subject to the credit and so the amendment does not change the fiscal impact.

Synopsis of Original Bill

House Bill 703 amends the Income Tax Act to provide a credit for alternative on-site liquid waste disposal systems. The maximum amount of the credit is \$1,500 per taxpayer and can be carried forward for three years. The Environment Department (NMED) would certify the claim on a form produced by Taxation and Revenue Department (TRD).

An “alternative on-site liquid disposal system” is a means to treat secondary wastewater (grey water) designed to work with or in place of a conventional liquid disposal method or septic tank.

The effective date is January 1, 2007.

FISCAL IMPLICATIONS

The credit is estimated to reduce personal income tax collections by \$525 thousand per tax year. In FY07, the fiscal impact is a \$262.5 thousand reduction in general fund revenues reflecting the fact that only half of the tax year 2007 is in FY07. In FY08 and subsequent years, the credit will reduce general fund revenues by \$525 thousand.

The estimate assumes that 350 systems will be installed each year and that the price of a system is sufficiently high that the taxpayer will receive the full credit.

ADMINISTRATIVE IMPLICATIONS

TRD reports that it will require at least one-quarter of an FTE to produce the forms and regulations and process the credit.

TECHNICAL ISSUES

NMED:

From a technical standpoint, the proposed legislation will assist in preventing ground water pollution from on-site liquid waste systems by allowing for a tax credit for those installing advanced liquid waste systems that provide for secondary and/or tertiary treatment.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMED: The cost of advanced, on-site liquid waste treatment systems will continue to be burdensome to certain citizens who are required by the Environment Department, due to the potential to contaminate groundwater, to install such systems.

NF/yr:mt