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FISCAL IMPACT REPORT

ORIGINAL DATE 2-20-09

SPONSOR Gutierrez LAST UPDATED _____ HB 889

SHORT TITLE Environmental Conservation Tax Initiatives SB _____

ANALYST Aubel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$150.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 952
Relates to HB 318 and HB 386

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Environment Department (NMED)
Energy, Minerals and Natural Resources Department (EMNRD)
Department of Finance Administration (DFA)

No Response

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 889 appropriates \$150.0 thousand from the general fund to the New Mexico Environment Department for the purpose of studying the feasibility of a program entitled “Green Both Ways”, which is a market-based approach to environmental conservation and protection through property tax incentives.

FISCAL IMPLICATIONS

The appropriation of \$150.0 thousand contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2008 shall revert to the general fund.

SIGNIFICANT ISSUES

The bill does not specify what type of market-based approaches “Green Both Ways” program would include. Other states have primarily used property tax incentives to encourage renewable energy and “green” construction of buildings. Such incentives include property tax exemptions, special assessments, or reduced property tax rates for renewable energy systems or facilities that produce or transmit renewable energy.

According to EMNRD, 26 states have property tax incentives for renewable energy. Most provide that renewable energy equipment cannot be valued at a higher rate than conventional equipment, even if the renewable energy equipment cost more. Other states, such as Indiana and Louisiana, do not include the value of a renewable-energy system in the assessment of buildings or other structures to which the equipment is attached.

In June 2005, the Nevada Assembly passed a law that provides for partial abatement of property taxes for property that has a building or structure that meets or exceeds the United States Green Building Council’s LEED Silver rating system.

Other types of programs that might be studied under this bill are pollution-trading programs or green or pollution offsets or property tax structures that give preference to agricultural or conservation use. In Georgia, property devoted to agricultural, timber or conservation use through a 10-year covenant is taxed at 75 percent of fair market value. Green-offsets occur where a developer takes action outside a development site but near to it to reduce pollution. The developers either take the action themselves or pay others to conduct it on their behalf. They include such measures as re-vegetating and stabilizing river banks, building better road surfacing and drainage to reduce the flow of sediments and nutrients into waterways, installing pollution control equipment at other off-site sources, installing vapor recovery units at gas stations, or assisting small businesses to install cleaner technology to reduce emissions.

NMED maintains that from a policy perspective, creating economic incentives to achieve environmental compliance is an effective approach and concludes that studying the issue of market-based environmental conservation is a valid approach in tailoring such incentives to New Mexico. The study would also assess the idea of creating a “bank” for publicly trading environmental credits, such as the program conducted nationally at the Chicago Climate Exchange.

PERFORMANCE IMPLICATIONS

Because of the broad and open-ended nature of a feasibility study, performance implications are indeterminate beyond the production of a study. DFA notes it is not clear how the “environmental bank” concept may either complement or conflict with the Governor’s Chicago Climate Exchange initiative; however, any efforts that would reduce greenhouse gas emissions would benefit both this initiative and New Mexico’s environmental and public health.

If the study resulted in property tax incentives that encouraged green building or installation of renewable energy systems, the study would promote EMNRD’s mission to encourage renewable energy use and increased energy efficiency.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates HB 889.

Relates to HB 318 (mercury emissions reduction) and HB 386 (greenhouse gas emission reduction.)

ALTERNATIVES

Because EMNRD is the lead agency on implementing the executive initiatives in making New Mexico a leader in energy efficiency, and also appears to be the most knowledgeable regarding the issues this study may involve, one option would be to make the appropriation to EMNRD.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Market-based incentives will not be studied and the possible benefits derived from implementing a market-based approach to environmental conservation and protection through property tax incentives would be left unrealized.

MA/mt