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## FISCAL IMPACT REPORT

**SPONSOR** Trujillo **ORIGINAL DATE** 1/22/08  
**LAST UPDATED** 1/24/08 **HB** 284/aHENRC  
**SHORT TITLE** Advanced System Septic Purchase Tax Credit **SB** \_\_\_\_\_  
**ANALYST** Francis

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	(700.0)	(831.3)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Taxation and Revenue Department (TRD) FIR to similar legislation (SB919) in the 2007 session

Response Received From  
NM Environment Department

### SUMMARY

#### Synopsis of HENRC Amendment

The House Energy and Natural Resources Committee amended HB284 changing the word “disposal” to “treatment.” This satisfies NMED’s concern (reported in the previous FIR) about the definition and whether the credit would be available for disposal systems.

#### Synopsis of Original Bill

House Bill 284 creates a new \$2,500 credit against personal income tax (PIT) liability for the purchase and installation of an eligible liquid waste disposal system in the taxpayer’s primary residence. If the credit exceeds liability, the balance may be carried forward for up to 3 years. The taxpayer must be a New Mexico resident and not a dependent of another taxpayer.

The credit is in effect for tax years beginning January 1, 2008. There is no sunset or repeal date.

### FISCAL IMPLICATIONS

The fiscal impact assumes 350 units will be eligible for the credit but NMED notes significant issues about the terminology in the bill that could potentially affect the fiscal impact. It is

assumed that 80 percent of the credit will be taken in the current year, 15 percent carried forward to the second year and 5 percent carried forward to the third year. NMED representatives also state that 1) the types of systems likely to qualify for the proposed credits typically cost in the neighborhood of \$8,000 to \$10,000, but sometimes cost as much as \$20,000; 2) the units are usually installed on rural residential lots that make use of leaching fields when disposing waste; and 3) systems are often required by local regulations.

**Fiscal Impact**

Number of Systems	350
Credit	\$2,500
Fiscal Impact	\$875,000
FY09	\$700,000
FY10	\$831,250
FY11	\$875,000

**SIGNIFICANT ISSUES**

According to NMED,

The WTAC, created by statute, has developed performance standards for wastewater treatment technologies to be approved for advanced treatment. The WTAC has not developed advanced treatment standards for wastewater disposal technologies, nor has it established that disposal technologies are capable or achieving advanced treatment. Consumers could be misled by HB 284 into thinking that such disposal products can perform advanced treatment when that may not be the case.

**PERFORMANCE IMPLICATIONS**

NMED reports that it will be difficult to ensure that advanced treatment is occurring at the disposal end when no such product has been approved as required by statute, and no standards have yet been established to demonstrate that disposal technologies can achieve advanced treatment.

NF/mt