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## FISCAL IMPACT REPORT

**ORIGINAL DATE**  
**LAST UPDATED** 8/17/08 **HB** \_\_\_\_\_

**SPONSOR** Snyder \_\_\_\_\_

**SHORT TITLE** Personal Income Tax Credit for Gas and Electric Bills **SB** 8 \_\_\_\_\_

**ANALYST** Gutierrez \_\_\_\_\_

### REVENUE (dollars in thousands)

| Estimated Revenue |               |               | Recurring<br>or Non-Rec | Fund<br>Affected |
|-------------------|---------------|---------------|-------------------------|------------------|
| FY09              | FY10          | FY11          |                         |                  |
| (\$185,726.0)     | (\$197,993.0) | (\$211,235.0) | Recurring               | General Fund     |

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Taxation and Revenue Department (TRD)

Responses Received From  
 Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

The bill creates the “Middle Income Home Energy Tax Credit.” This is a credit for middle-income taxpayers to be taken against the taxpayer’s personal income tax in the amount of fifty percent of the taxpayer’s gas and electric bills. A taxpayer who is a resident of New Mexico, is not a trust, estate, or dependent of another taxpayer, and is not an inmate of a public institution for more than six months during the taxable year, and is a customer of a utility company would be eligible for the credit.

### FISCAL IMPLICATIONS

| Estimated Revenue Impact* |           |           |           |           |             | R or<br>NR** | Fund Affected |
|---------------------------|-----------|-----------|-----------|-----------|-------------|--------------|---------------|
| FY2009                    | FY2010    | FY2011    | FY2012    | FY2013    | FY 09-13    |              |               |
| (185,726)                 | (197,993) | (211,235) | (225,539) | (241,001) | (1,061,494) | Recurring    | General Fund  |

Parentheses ( ) indicate a revenue loss.

\* In thousands of dollars. \*\* Recurring (R) or Non-Recurring (NR).

Source: Taxation and Revenue Department

## **SIGNIFICANT ISSUES**

The Taxation and Revenue Department used New Mexico residential natural gas and electricity expenditures data for 2007 and 2006, expenditures for 2009 and subsequent years are estimated by assuming annual natural gas and electricity expenditure increases of 10% and 4%, respectively.<sup>1</sup> To exclude utility charges paid by taxpayers who do not meet the requirements (such as renters and non-residents) etc., 70% of utility charges are assumed to be eligible for the tax credit. Since the credit is non-refundable, the claimed amounts are estimated at a 50% rate.

## **ADMINISTRATIVE IMPLICATIONS**

Provisions of this proposal would add moderate administrative impacts on the Taxation and Revenue Department, for example forms changes, audit procedures development, and computer programming.

## **TECHNICAL ISSUES**

TRD:

This credit is assumed to be non-refundable since, page 2, subsection E, line 24 states that the credit may not be carried forward but does not address if the excess would be refunded.

The bill is effective January 1, 2008. Unless a taxpayer has retained utility bills from the beginning of the year, it may be difficult for them to claim the full credit due to them or may place a burden on utilities to provide the information if requested by a lot of taxpayers.

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<sup>1</sup> The 4 and 15 percent growth rates are average values of recent historical growth in New Mexico residential sector energy expenditures for electricity and natural gas.