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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 02/22/11  
**LAST UPDATED** 03/12/11    **HB** \_\_\_\_\_

**SPONSOR**    Ryan

**SHORT TITLE**    Conserved Water Put to Beneficial Use    **SB** 394/aSFL#1

**ANALYST** Golebiewski

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	(\$10.0)	(\$11.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of SFL Amendment #1

Senate Floor amendment #1 to Senate Bill 394 adds language to require the state engineer to adopt guidelines for the implementation of Section 72-5-18 NMSA 1978 and beneficial use of conserved water pursuant to that section before December 15, 2011.

#### Synopsis of Original Bill

Senate Bill 394 adds language in Sections 7-2-18.20 (personal income tax) and 7-2A-22 (corporate income and franchise tax) NMSA 1978 to allow consumers claiming the tax credit for water conservation and issued a permit by the State Engineer pursuant to Subsection C of Section 72-5-18 NMSA 1978 to put water to consumptive beneficial use.

### FISCAL IMPLICATIONS

Senate Bill 394 is intended to grant taxpayers who hold a permit from the State Engineer to put water to beneficial use and who are eligible for the water conservation tax credit because they have improved their irrigation systems or water management methods the ability to use both simultaneously in a taxable year. It is unlikely to have a substantial effect on the aggregate

amount of water conservation credits each year. The estimate reflects a 20% increase in the current amount of the water conservation credit, to allow for taxpayers that have not taken the credit in the past because they would not have been able to put water to consumptive beneficial use, even with a permit from the State Engineer.

**SIGNIFICANT ISSUES**

Senate Bill 394 would allow taxpayers who claim the water conservation credit to put their conserved water to beneficial use, with a permit from the State Engineer. This would allow the credit to be provided and the permit to be used by the intended beneficiaries of both policies.

**ADMINISTRATIVE IMPLICATIONS**

Minimal impact on TRD.

JAG/bym:svb