

**Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department**

January 30, 2026

Bill:
SB-47

Sponsor:
Senators Pete Campos and Elizabeth "Liz" Stefanics

Short Title:
Food Recovery & Composting Surcharge

Description:
This bill creates the Food Recovery and Composting Act. This Act creates a surcharge that is to be administered under the Tax Administration Act (TAA). The surcharge is imposed on each solid waste facility (facility) operating within New Mexico. The surcharge is \$3.00 per ton of solid waste processed. If the facility has an on-site composting facility the surcharge is \$2.00 per ton of solid waste processed. The surcharge is due on the 25th day of each month. The Taxation and Revenue Department (Tax & Rev) will administer the fee and distribute the surcharge to the new proposed Food Recovery and Composting Fund. The fund is administered by the Environment Department (NMED). NMED is to issue grants and contracts from the fund to support composting initiatives and other organic waste reduction projects and education around these initiatives. Tax & Rev is able to maintain up to a 3% administrative fee of the amount collected.

NMED is required to publish a report on the amount of money collected broken down by the number of tons of solid waste processed at each solid waste facility.

Effective Date, Applicability, and Contingency Language:
July 1, 2026

Taxation and Revenue Department Analyst:
Pedro Clavijo

Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	9,700	9,800	9,900	10,000	R	Food Recovery and Composting Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact:

The bill establishes a statewide solid waste disposal surcharge of \$3 per ton of solid waste processed by a facility. The fee is \$2 per ton if the facility owns or operates an on-site composting facility. In 2023, New Mexico residents generated approximately 3.17 million tons of solid waste per year. The total reported composted waste accounted for 9% of the total managed waste in New Mexico.¹ Much of this waste was sent to 179 active disposal facilities in New Mexico (in 2020).² Specific tonnage varies greatly by source (residential vs. commercial) and location, with different facilities managing different amounts and types of waste. Based on this information, Tax & Rev estimated the surcharge collection and distribution to the newly created fund. Tax & Rev assumes a constant proportion of solid waste per capita in the state. The

¹ <https://nmdeptag.nmsu.edu/media/pdf/hsp-2025-compost-study.pdf>

² https://www.env.nm.gov/wp-content/uploads/sites/24/2020/04/SWB_Collection-Centers-4_2_20-2.pdf

solid waste statewide annual amount was increased by the current University of New Mexico's population growth projections for the state, averaging 1% per year during the fiscal outlook³.

Policy Issues:

A per-ton surcharge on solid waste might serve as a tool to raise funds to reduce and recycle waste and support composting projects. Additionally, by increasing the cost to process waste, the surcharge makes alternative disposal methods, such as recycling, anaerobic digestion, and reuse, relatively more cost-competitive. The surcharge helps account for the "hidden" social and environmental costs of waste processing, such as methane emissions, potential groundwater contamination, and the long-term loss of land productivity.

However, while collected from the facility, the surcharge might be passed through to waste haulers, businesses, and ultimately municipal residents through increased trash collection bills. Finally, implementing a surcharge requires new reporting mechanisms for facility operators and auditing by state agencies, leading to increased administrative overhead for both the private sector and government.

Technical Issues:

[Section 6] Page 8, line 19-23. NMED is required every January 1 to report on the amount of money collected by the number of tons of solid waste processed at each solid waste facility. This means the bill expects NMED to know:

- Which facilities filed,
- How much each facility paid,
- How many tons each facility reported, and
- Facility-level compliance.

The surcharge is set out in the TAA, which makes Tax & Rev responsible for its collection, enforcement, and administration. However, Tax & Rev cannot share return information with NMED under Section 7-1-8.8 NMSA 1978, and NMED is not authorized to receive taxpayer-level data for this surcharge. For Tax & Rev to share this information, an exception must be made under Section 7-1-8.8 NMSA 1978. To allow NMED to receive the data it needs, Tax & Rev recommends adding "and return information required to administer the Food Recovery and Composting Act" to Section 7-1-8.8 (T) NMSA 1978."

[Section 9] Given the complexity and effort required to implement this bill, the effective date of July 1, 2026, is not feasible. Tax & Rex proposes changing the effective date on page 13, from July 1, 2026, to January 1, 2027.

Other Issues:

[Section 6] Page 8, Line 16-18. Instead of "The taxation and revenue department may retain an administrative fee of up to three percent of the amount collected." Tax & Rev suggests the section be edited to read "The taxation and revenue department shall retain an administrative fee of up to three percent of the amount collected for the administration of the distribution."

Information will also need to be shared between NMED and Tax & Rev to effectively administer the new surcharge. It would be best for NMED to inform Tax & Rev of the different facilities that have approved composting facilities eligible for the lower surcharge rate.

Administrative & Compliance Impact:

³ <https://gps.unm.edu/pop/population-projections.html>
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This bill proposes the implementation of a new surcharge. Tax & Rev will create and publish new forms and publications, make changes to information systems, and create new regulations. Tax & Rev will need to test system changes and train employees on the administration of the proposed surcharge. Tax & Rev will be required to develop processes and procedures for return, audit, and compliance processes. The Tax & Rev will need to work with the NMED to verify facilities that are registered as a composting facility. Information will be required to identify solid waste facilities that own or operate an on-site composting facility to confirm eligibility to pay the reduced surcharge. Tax & Rev will have to dedicate resources during development; however thereafter they will have to evaluate the number of facilities and whether additional resources may be necessary to administer the program to maintain compliance.

Tax & Rev’s Administrative Services Division (ASD) estimates the time to implement this bill is 100 hours, based on the TAA distribution section dedicated to pay band level 10. Business testing will also be needed for implementation, requiring an additional 50 hours at a pay band level eight. Pay band eight hours are estimated at time-and-a-half for extra hours worked.

Implementing this bill will have a high impact on Tax & Rev’s Information Technology Division (ITD) over approximately four to six months, costing \$1,154,082 (\$1,010,125 contractual resources and \$143,957 staff workload costs). Due to the nature and complexity of the effort required to implement the proposed changes, a contract with the GenTax vendor, FAST Enterprises, LLC, is required. The estimated cost for FAST to implement this bill is \$811,406. In addition, a contract project manager will be required at approximately \$106,889, including gross receipts. Due to the nature of such an implementation, Independent Verification and Validation (IV&V) services would also be required at a cost of approximately \$91,830. Further, one state development resource and one state business analyst (FTEs) would be needed for the duration of the project, at an estimated cost of \$143,957 in staff workload costs.

Tax & Rev’s Audit and Compliance Division (ACD) estimates that it will need two FTE to process and test the new tax program, perform registration, collection and audit functions on a reoccurring basis. The cost of these two FTEs is estimated based at a pay band seven.

Estimated Additional Operating Budget Impact*

FY26	FY27	FY28	3 Year Total Cost	Recurring or Non-Recurring	Fund(s) or Agency Affected
--	\$9.8	--	\$9.8	NR	ASD – Staff workload
\$505	\$505.1	--	\$1,010.1	NR	ITD - Contractual costs
\$71.9	\$71.9	--	\$143.8	NR	ITD - Staff workload costs
--	\$194.6	\$194.6	\$389.2	R	ACD - FTE

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).