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FISCAL IMPACT REPORT

ORIGINAL DATE 2/11/06

SPONSOR HBIC LAST UPDATED _____ HB 884/HBICS

SHORT TITLE Public Peace, Health, Safety & Welfare SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(247.5)	(495.0)	Increasing	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 US General Services Administration (GSA)
 US Green Building Council (GBC)
 Rocky Mountain News (RMN)

No Responses Received From

Construction Industries Division, Regulation and Licensing Division (CID, RLD)
 Taxation and Revenue Department (TRD)
 NM Environmental Department (NMED)

Response Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

The House Business and Industry Committee has substituted House Bill 884 to enact an income tax credit for the incremental cost of “green” construction. Green is defined as building to a standard that meets the silver rating of the Leadership in Energy and Environmental Design (LEED) rating system. This system was established by the US green building council. Documentation for the LEED system is attached.

To receive the credit, the taxpayer must file a form determined by the Taxation and Revenue Department that includes verification of the LEED rating, the incremental cost as compared to the construction industries division usual industry standards and evidence that the construction was performed.

This credit can be carried forward for up to five years and is a credit against personal income tax or corporate income tax liability. The effective date is January 1, 2006.

FISCAL IMPLICATIONS

The impact for FY06 is a reduction in income taxes of \$247.5 thousand assuming that a taxable year is split evenly over fiscal years. For FY07 and subsequent years, the reduction is \$495 thousand.

The US General Services Administration (GSA) has estimated that to build a new courthouse to silver LEED rating, the cost is approximately 4.5 percent higher. Assuming 22 project at \$500 thousand per project, the base for determining the credit is \$11 million in usual cost of materials. The incremental amount is \$495 thousand.

The adoption rate of 5 percent may be high as LEED-rated materials may be hard to find in New Mexico. If they cannot be found, the average incremental cost may be higher too.

SIGNIFICANT ISSUES

The Rocky Mountain News recently wrote about LEED in NM:

New Mexico building owners, designers and contractors are just beginning to realize the challenges and benefits of designing a green building using the Leadership in Energy and Environmental Design system.

The LEED rating system, introduced by the U.S. Green Building Council (USGBC) in 1998, has been used to date to certify almost 300 buildings nationally. Buildings achieve different levels of certification —certified, silver, gold, or platinum — based on the number of LEED credits attained through design and construction and verified by project documentation.

Local demand for LEED-certified buildings is growing rapidly. Thus far only one New Mexico building has achieved LEED certification, but 22 other New Mexico projects have registered with the USGBC. Many more clients are asking about LEED or choosing to incorporate LEED principles without actually pursuing certification.

In March 2005, Albuquerque Mayor Martin Chavez mandated that new city buildings meet the standard of LEED silver certification. The New Mexico chapter of the USGBC just held its first public meeting, which was attended by 108 design professionals, contractors and building owners. Together, these factors show a clear increase in local interest in LEED

By Dale Dekker and Julie Walleisa
December 26, 2005
Rocky Mountain Construction

Several studies have shown that building green buildings according to LEED standards generates significant energy savings over the long term. A study by the Capital E group on California's green building experience points to energy savings ten times the incremental costs, which they estimate at between \$3 and \$5 per square foot.

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