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FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/12
LAST UPDATED 02/08/12 **HB** _____

SPONSOR SCONC

SHORT TITLE Use of Conservation Tax Credit Water **SB** 104/SCONCS

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY12	FY13	FY14		
	NFI			General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

The Senate Conservation Committee Substitute for Senate Bill 104 (SB 104) amends the income tax act and the corporate income and franchise tax act to mandate that the qualifying expense be consistent with Section 72-5-18 NMSA 1978.

This section states:

In the issuance of permits to appropriate water for irrigation or in the adjudication of the rights to the use of water for that purpose, the amount allowed shall be based upon beneficial use and in accordance with good agricultural practices and the amount allowed shall not exceed such amount. The state engineer shall permit the amount allowed to be diverted at a rate that is consistent with good agricultural practices and that will result in the most effective use of available water in order to prevent waste.

B. Improved irrigation methods or changes in agriculture practices resulting in conservation of water shall not diminish beneficial use or otherwise affect an owner's water rights or quantity of appurtenant acreage.

C. Any water rights owner who demonstrates that improved irrigation or changes in agricultural practices have resulted in the conservation of water shall be able to make an application to the state engineer for a change in the point of diversion or place or purpose of use of the quantity of conserved water, provided that:

- (1) conservation of water shall not result in impairment or diminishment of other water rights; and
- (2) priority and quality of right shall be assessed under the same standards as apply to transfers.

The bill also mandates that the state engineer shall adopt rules for implementation of this section no later than March 1, 2013.

OTHER SUBSTANTIVE ISSUES

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate

SS/svb:amm