

1 SENATE CORPORATIONS AND TRANSPORTATION COMMITTEE SUBSTITUTE FOR
2 SENATE BILL 16

3
4 **51ST LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2014**
5

6
7
8
9
10 AN ACT

11 RELATING TO TAXATION; CREATING THE WATER HARVESTING INCOME TAX
12 CREDIT.
13

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

15 SECTION 1. A new section of the Income Tax Act is enacted
16 to read:

17 "[NEW MATERIAL] WATER HARVESTING INCOME TAX CREDIT.--

18 A. A taxpayer who is not a dependent of another
19 individual and who purchases and installs a certified water
20 harvesting system after January 1, 2014 and before December 31,
21 2024 in a residence or business in New Mexico owned by that
22 taxpayer may apply for a tax credit against the taxpayer's tax
23 liability imposed pursuant to the Income Tax Act in an amount
24 up to twenty percent of the purchase and installation costs of
25 the system. The tax credit provided by this section may be

.196507.1

1 referred to as the "water harvesting income tax credit".

2 B. The purpose of the water harvesting income tax
3 credit is to provide an incentive for homeowners and businesses
4 to use harvested water for future use.

5 C. The water harvesting income tax credit shall not
6 exceed five thousand dollars (\$5,000). The department shall
7 allow a water harvesting income tax credit only for a water
8 harvesting system certified by the regulation and licensing
9 department.

10 D. The department may allow a maximum annual
11 aggregate of two million dollars (\$2,000,000) in water
12 harvesting income tax credits per year. Applications for the
13 credit shall be considered in the order received by the
14 department.

15 E. A taxpayer may claim a water harvesting income
16 tax credit in the taxable year in which the taxpayer purchases
17 and installs a water harvesting system. To receive a water
18 harvesting income tax credit, a taxpayer shall apply to the
19 department on forms and in the manner prescribed by the
20 department. The application shall include a certification made
21 pursuant to Subsection J of this section.

22 F. If the requirements of this section have been
23 complied with, the department shall issue to the applicant a
24 document granting the tax credit allowed pursuant to this
25 section. The document shall be numbered for identification and

.196507.1

1 shall declare its date of issuance and the amount of the tax
2 credit allowed pursuant to this section. The document may be
3 submitted by the applicant with that taxpayer's income tax
4 return or may be sold, exchanged or otherwise transferred to
5 another taxpayer. The parties to such a transaction shall
6 notify the department of the sale, exchange or transfer within
7 ten days of the sale, exchange or transfer.

8 G. That portion of a water harvesting income tax
9 credit that exceeds a taxpayer's tax liability in the taxable
10 year in which the credit is claimed may be carried forward for
11 a maximum of ten consecutive taxable years.

12 H. Married individuals filing separate returns for
13 a taxable year for which they could have filed a joint return
14 may each claim only one-half of the water harvesting income tax
15 credit that would have been claimed on a joint return.

16 I. A taxpayer may be allocated the right to claim a
17 water harvesting income tax credit in proportion to the
18 taxpayer's ownership interest if the taxpayer owns an interest
19 in a business entity that is taxed for federal income tax
20 purposes as a partnership and that business entity has met all
21 of the requirements to be eligible for the credit. The total
22 credit claimed by all members of the partnership or limited
23 liability company shall not exceed the allowable credit
24 pursuant to Subsection C of this section.

25 J. Prior to July 1, 2014, the regulation and

.196507.1

underscored material = new
~~[bracketed material] = delete~~

1 licensing department, in consultation with the state engineer,
2 shall adopt rules establishing procedures to provide
3 certification of water harvesting systems for purposes of
4 obtaining a water harvesting income tax credit. The rules
5 shall address technical specifications and requirements
6 relating to safety, code and standards compliance, minimum and
7 maximum system sizes, system applications and lists of eligible
8 components. The regulation and licensing department may modify
9 the specifications and requirements as necessary to maintain a
10 high level of system quality and performance.

11 K. A taxpayer allowed a water harvesting income tax
12 credit pursuant to this section shall report the amount of the
13 credit to the department in a manner required by the
14 department.

15 L. The department shall compile an annual report on
16 the water harvesting income tax credit pursuant to this section
17 that shall include the number of taxpayers approved by the
18 department to receive the credit, the aggregate amount of
19 credits approved and any other information necessary to
20 evaluate the effectiveness of the credit. Beginning in 2019
21 and five years thereafter that the credit is in effect, the
22 department shall compile and present the annual reports to the
23 revenue stabilization and tax policy committee and the
24 legislative finance committee with an analysis of the
25 effectiveness and cost of the credit and whether the credit is

.196507.1

1 performing the purpose for which it was created.

2 M. As used in this section, "water harvesting
3 system" is a system that is designed to provide for the
4 collection of rainwater or snowmelt from the rooftop of a
5 building and is capable of storing the rainwater or snowmelt
6 for future use."

7 SECTION 2. APPLICABILITY.--The provisions of this act
8 apply to taxable years beginning on or after January 1, 2014.

9 - 5 -

underscored material = new
[bracketed material] = delete

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25