

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1314**

**Amendment Number: H2**

**Bill Subtitle: TO AMEND THE WATER RESOURCE CONSERVATION AND DEVELOPMENT INCENTIVES ACT.**

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### Basic Change :

**Sponsors: Rep. Hillman and Sen. Hill**

**House Amendment No. 2** - HB1314-H2 (engrossed 04/15/21) limits the amounts of tax credits that may be claimed as follows:

- **Water Impoundment Credit** --- HB1314-H2 increases the maximum tax credit allowed from \$90,000 to \$120,000, instead of \$180,000 as originally filed; and
- **Surface Water Outside Critical Areas Credit, Surface Water Within Critical Area Credit, and Land Leveling Credit** --- HB1314-H2 increases the maximum tax credits allowed from \$27,000 to \$35,000, instead of \$54,000 as originally filed.

HB1314-H2 removes the extended completion deadline for the projects eligible for the tax credit. The existing three-year completion requirement remains in place.

**Original Bill** --- HB1314 amends the maximum credits allowed under the Water Resource Conservation and Development Incentives Act as follows:

- **Water Impoundment Credit** --- This income tax credit is for the construction, installation, or restoration of water impoundments or water control structures twenty (20) acre-feet or more that store water to be used for agricultural, commercial, or industrial purposes. The bill increases the maximum tax credit allowed from \$90,000 to \$180,000 and increases the amount of the credit that a taxpayer may claim from the lesser of tax liability or \$9,000 per project to the lesser of the tax liability or \$18,000 per project.
- **Surface Water Outside Critical Areas Credit** --- This income tax credit is for the reduction of groundwater use by substitution of surface water for water used for industrial, commercial, agricultural, or recreational purposes in areas that are not designated a critical area. The bill increases the allowable tax credit from 10% of the project cost up to \$27,000 to 25% of the project cost up to \$54,000 and increases the amount that a taxpayer may claim from the lesser of tax liability up to \$9,000 per project to the lesser of tax liability up to \$18,000.
- **Surface Water Within Critical Area Credit** --- This income tax credit is for the reduction of groundwater use by substitution of surface water for water used for industrial, commercial, agricultural, or recreational purposes in designated critical groundwater areas. The bill expands this credit by adding counties that are contiguous to counties with designated critical groundwater areas as eligible for the credit. The bill also increases the allowable tax credit from 50% of the project cost up to \$27,000 to 50% of the project cost up to \$54,000 and increases the amount that a taxpayer may claim from the lesser of tax liability up to \$9,000 per project to from the lesser of tax liability up to \$18,000.
- **Land Leveling Credit** --- This income tax credit is for agricultural land leveling to conserve irrigation water. The bill increases the allowable tax credit from 10% of the project cost up to

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\$27,000 to 25% of the project cost up to \$54,000 and increases the amount that a taxpayer may claim from the lesser of tax liability up to \$9,000 per project to the lesser of tax liability up to \$18,000 per project.

HB1314 also increases the carry forward period for all unused water conservation credits to 15 years and extends the completion deadline for projects from three to five years. HB1314 also doubles the amount of credits necessary to trigger the sunset of the tax credits from \$10,000,000 to \$20,000,000.

HB1314 is effective for tax years beginning on or after January 1, 2021.

### **Revenue Impact :**

**FY2022** - \$301,866 reduction in State General Revenue

**FY2023** - \$603,732 reduction in State General Revenue

**FY2024 and after** - \$905,597 reduction in State General Revenue

### **Taxpayer Impact :**

Taxpayers will need to complete the documentation required for any credits earned or transferred and records will need to be maintained for audit.

### **Resources Required :**

Computer programs and training manuals will need to be updated.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Computer programs and training manuals will need to be updated. Department employees will need to be educated on changes as well as the taxpayer community.

### **Other Comments :**

None.

### **Legal Analysis :**

**Original Bill** --- HB1314 may benefit from clarification that credits that previously expired are not revived by the extended carry forward provisions. This would prevent claims on credits that already expired but are still within 15 years of the original issuance.

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