

Fiscal Note

BILL # HB 2079

TITLE: conservation districts; water; invasive vegetation

SPONSOR: Dunn

STATUS: As Introduced

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Description

The bill would repeal the requirement that a taxpayer's conservation plan must be in effect with the U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS) to qualify for the agricultural water conservation system tax credit and allow the taxpayer to file a conservation plan through a Natural Resource Conservation District (NRCD) instead.

Estimated Impact

We cannot determine the impact of this bill with certainty, but we expect any impact to be small.

Analysis

Current Arizona tax law provides the agricultural water conservation system credit for the purchase and installation of systems primarily designed to substantially conserve water on land used to produce (1) crops, fruit, or other agricultural products, (2) raise, harvest, or grow trees, or (3) sustain livestock. The credit is available only as an individual income tax credit, and not as a corporate income tax credit. The credit is equal to 75% of the qualifying expenses incurred during the taxable year for the purchase and installation of the system. There is no cap on the dollar value of the tax filer's credit. In FY 2020, 104 taxpayers claimed the tax credit at a total General Fund cost of \$1.5 million.

Statute requires the expenses to be consistent with a conservation plan that the taxpayer has filed and is in effect with the NRCS. A conservation plan is a record of decisions and supporting documents that meet planning criteria for a natural resource concern. NRCDs assist NRCS planners with ensuring the requirements for the agricultural water conservation system credit are fulfilled by the conservation plan.

The bill adds NRCDs as entities with whom taxpayers may file a conservation plan in order to qualify for the credit. The NRCS has reported to the Arizona Department of Agriculture that they no longer want to be involved in the process. The bill, therefore, effectively replaces the NRCS monitoring role with the NRCDs. As NRCDs are already assisting taxpayers to receive the agricultural water conservation system credit, we assume that the shift will result in little if any change to the usage of the credit in future years.

Local Government Impact

None

1/20/21

JLBC