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HOUSE BILL 397

**44TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION,
2000**

INTRODUCED BY
Pauline K. Gubbels

FOR THE WATER AND NATURAL RESOURCES COMMITTEE

AN ACT

RELATING TO TAXATION; PROVIDING A PERSONAL INCOME TAX AND
CORPORATE INCOME TAX CREDIT FOR AGRICULTURAL WATER
CONSERVATION EXPENSES.

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

Section 1. A new section of the Income Tax Act is
enacted to read:

"[NEW MATERIAL] TAX CREDIT--AGRICULTURAL WATER
CONSERVATION EXPENSES.--

A. A taxpayer may claim a credit against his
income tax for up to one thousand dollars (\$1,000) for
improvements in irrigation systems or water management
methods if the taxpayer:

- (1) holds a water right in New Mexico;
- (2) files an individual New Mexico income

tax return; and

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1 (3) is not the dependent of another
2 individual.

3 B. Expenses that qualify for the credit pursuant
4 to this section are improvements:

5 (1) in irrigation systems or water
6 management methods approved and verified by the local soil
7 and water conservation district;

8 (2) on land in this state that is owned by
9 the taxpayer and used by the taxpayer or the taxpayer's
10 tenant to grow agricultural products;

11 (3) incurred after January 1, 2001;

12 (4) consistent with a water conservation
13 plan filed with the local soil and water conservation
14 district; and

15 (5) on land entirely in a described area.

16 C. Co-owners of the land on which the improvements
17 in irrigation systems or water management methods occur,
18 including partners in a partnership, shareholders of an S
19 corporation as defined in Section 1361 of the Internal
20 Revenue Code of 1986 and limited liability corporations, may
21 each claim only the pro rata share of the credit allowed
22 pursuant to this section based on the ownership interest.

23 D. A husband and wife who file separate returns
24 for a taxable year in which they could have filed a joint
25 return may each claim only one-half of the credit that would
have been allowed on a joint return.

E. If the allowable tax credit exceeds the taxes

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1 otherwise due pursuant to the Income Tax Act on the
2 taxpayer's income for a taxable year, or if there are no
3 income taxes due from the taxpayer, the taxpayer may carry
4 forward the amount of the credit not used in that year to
5 offset taxes pursuant to the Income Tax Act for not more than
6 five consecutive taxable years' income tax liability. This
7 credit may only be deducted from the taxpayer's income tax
8 liability.

9 F. The soil and water conservation commission
10 shall adopt rules to implement this section and establish
11 guidelines for approved improvements in irrigation systems or
12 water management methods."

13 Section 2. A new section of the Corporate Income and
14 Franchise Tax Act is enacted to read:

15 "[NEW MATERIAL] TAX CREDIT--AGRICULTURAL WATER
16 CONSERVATION EXPENSES.--

17 A. A taxpayer who files a New Mexico corporate
18 income tax return may claim a credit against his corporate
19 income tax liability, not to exceed a maximum credit of one
20 thousand dollars (\$1,000), for improvements in irrigation
21 systems or water management methods if the taxpayer holds a
22 water right in New Mexico.

23 B. Expenses that qualify for the credit pursuant
24 to this section are improvements:

25 (1) in irrigation systems or water
management methods approved by the local soil and water
conservation district;

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1 (2) on land in this state that is owned by
2 the taxpayer and used by the taxpayer or the taxpayer's
3 tenant to grow agricultural products;

4 (3) incurred after January 1, 2001;

5 (4) consistent with a water conservation
6 plan filed with the local soil and water conservation
7 district; and

8 (5) on land entirely in a described area.

9 C. Co-owners of the land on which the improvements
10 in irrigation systems or water management methods occur,
11 including corporate partners in a partnership, may each claim
12 only the pro rata share of the credit allowed pursuant to
13 this section based on the ownership interest.

14 D. If the allowable tax credit exceeds the taxes
15 otherwise due pursuant to the Corporate Income and Franchise
16 Tax Act on the taxpayer's corporate income, or if there are
17 not taxes due pursuant to the Corporate Income and Franchise
18 Tax Act, the taxpayer may carry forward the amount of the
19 credit not used to offset taxes pursuant to the Corporate
20 Income and Franchise Tax Act for not more than five
21 consecutive taxable years' income tax liability. This credit
22 may only be deducted from the taxpayer's corporate income tax
23 liability.

24 E. The soil and water conservation commission
25 shall adopt rules to implement this section and establish
guidelines for approved improvements in irrigation systems or
water management methods."

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