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HOUSE BILL 388

45TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2002

INTRODUCED BY

Robert M Burpo

AN ACT

**RELATING TO TAXATION; PROVIDING FOR INCOME TAX AND CORPORATE
INCOME TAX CREDITS FOR INVESTMENTS IN CLEANING WATER PRODUCED
FROM OIL AND GAS DRILLING.**

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] CREDIT FOR PRODUCED WATER. --

**A. A taxpayer who files an individual New Mexico
income tax return who is not a dependent of another taxpayer
and who produces water in the course of drilling for oil or
gas may take a tax credit in an amount equal to one thousand
dollars (\$1,000) per acre-foot of produced water not to exceed
four hundred thousand dollars (\$400,000) per year if the
following conditions are met:**

underscored material = new
[bracketed material] = delete

1 (1) the taxpayer discharges the water into
2 the Pecos river in compliance with the requirements of the New
3 Mexico Water Quality Act, the New Mexico water quality control
4 commission regulations and the federal clean water acts;

5 (2) the taxpayer discharges the water in a
6 manner approved by the interstate stream commission to
7 contribute to delivery obligations pursuant to the Pecos River
8 Compact; and

9 (3) the produced water discharged into the
10 Pecos river is available for appropriation only to meet terms
11 of the Pecos River Compact.

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

16 C. The tax credit provided in this section may
17 only be deducted from the taxpayer's personal income tax
18 liability. Any portion of the tax credit provided in this
19 section that remains unused at the end of the taxpayer's
20 taxable year may be carried forward for three consecutive
21 taxable years.

22 D. As used in this section, "produced water" means
23 water produced from oil or gas drilling from a depth of three
24 thousand feet or more below the surface. "

25 Section 2. A new section of the Corporate Income and

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underscored material = new
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1 Franchise Tax Act is enacted to read:

2 "[NEW MATERIAL] CREDIT FOR PRODUCED WATER. --

3 A. A taxpayer that files a New Mexico corporate
4 income tax return that produces water in the course of
5 drilling for oil or gas may take a tax credit in an amount
6 equal to one thousand dollars (\$1,000) per acre-foot of
7 produced water not to exceed four hundred thousand dollars
8 (\$400,000) per year if the following conditions are met:

9 (1) the taxpayer discharges the water into
10 the Pecos river in compliance with the requirements of the New
11 Mexico Water Quality Act, the New Mexico water quality control
12 commission regulations and the federal clean water acts;

13 (2) the taxpayer discharges the water in a
14 manner approved by the interstate stream commission to
15 contribute to delivery obligations pursuant to the Pecos River
16 Compact; and

17 (3) the produced water discharged into the
18 Pecos river is available for appropriation only to meet terms
19 of the Pecos River Compact.

20 B. The tax credit provided in this section may
21 only be deducted from the taxpayer's corporate income tax
22 liability. Any portion of the tax credit provided in this
23 section that remains unused at the end of the taxpayer's
24 taxable year may be carried forward for three consecutive
25 taxable years.

. 139971. 2

underscored material = new
[bracketed material] = delete

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C. As used in this section, "produced water" means water produced from oil or gas drilling from a depth of three thousand feet or more below the surface."

Section 3. DELAYED REPEAL.--Sections 1 and 2 of this act are repealed effective January 1, 2006.

Section 4. APPLICABILITY.--The provisions of this act apply to taxable years beginning on or after January 1, 2002.