

1 HOUSE BILL 350

2 **56TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2023**

3 INTRODUCED BY

4 James G. Townsend and Larry R. Scott and Candy Spence Ezzell

10 AN ACT

11 RELATING TO TAXATION; CREATING THE OIL AND GAS EMISSION  
12 REDUCTION CORPORATE INCOME TAX CREDIT.

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

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

17 "[NEW MATERIAL] OIL AND GAS EMISSION REDUCTION CORPORATE  
18 INCOME TAX CREDIT.--

19 A. A taxpayer that, on or after January 1, 2023,  
20 installs a purchased or leased vapor recovery unit that reduces  
21 emissions from oil and gas activity may apply for, and the  
22 department may allow, a credit against the taxpayer's tax  
23 liability imposed pursuant to the Corporate Income and  
24 Franchise Tax Act. The tax credit provided by this section may  
25 be referred to as the "oil and gas emission reduction corporate

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1 income tax credit".

2 B. The amount of a tax credit allowed pursuant to  
3 this section shall be in an amount up to twelve thousand  
4 dollars (\$12,000) for the cost of a purchased or leased vapor  
5 recovery unit that is installed on a well or along the  
6 midstream sector; provided that installation of the vapor  
7 recovery unit reduces emissions from oil and gas activity that  
8 would have been emitted if not for the installation. Only one  
9 credit per vapor recovery unit installed on a well or along the  
10 midstream sector shall be allowed.

11 C. A taxpayer shall apply for certification of  
12 eligibility for the credit provided by this section from the  
13 energy, minerals and natural resources department on forms and  
14 in the manner prescribed by that department. Completed  
15 applications shall be considered in the order received and  
16 shall include evidence to the satisfaction of that department  
17 that the installation of a vapor recovery unit has reduced  
18 emissions from oil and gas activity. For taxpayers eligible to  
19 receive the credit, the energy, minerals and natural resources  
20 department shall issue a certificate of eligibility stating the  
21 amount of credit to which the taxpayer is entitled for the  
22 taxable year. The certificate of eligibility shall be numbered  
23 for identification and declare the date of issuance and the  
24 amount of the tax credit allowed.

25 D. To receive the credit provided by this section,

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1 a taxpayer shall apply to the department on forms and in the  
2 manner prescribed by the department. The application shall  
3 include a certification made pursuant to Subsection C of this  
4 section.

5 E. That portion of a credit that exceeds a  
6 taxpayer's tax liability in the taxable year in which the  
7 credit may be carried forward for up to seven consecutive  
8 years.

9 F. A taxpayer allowed a tax credit pursuant to this  
10 section shall report the amount of the credit to the department  
11 in a manner required by the department.

12 G. The department shall compile an annual report on  
13 the credit provided by this section that shall include the  
14 number of taxpayers approved by the department to receive the  
15 credit, the aggregate amount of credits approved and any other  
16 information necessary to evaluate the credit. The department  
17 shall present the report to the revenue stabilization and tax  
18 policy committee and the legislative finance committee with an  
19 analysis of the cost of the tax credit.

20 H. As used in this section:

21 (1) "completion" means making a well ready for  
22 production after drilling operations;

23 (2) "emissions from oil and gas activity"  
24 means emissions from upstream oil and gas exploration;  
25 midstream sector; production; completions; gathering and

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1 processing; storage; or transmission activities by:

2 (a) the replacement, repair or retrofit  
3 of a stationary compressor engine of a well;

4 (b) the installation of systems or  
5 equipment on a well that reduce the loss of gas, venting of  
6 gas, flaring of gas or burning of gas using a combustion  
7 control device; or

8 (c) installation of emission monitoring  
9 equipment on a well;

10 (3) "gathering and processing" means stripping  
11 out impurities and other hydrocarbons and fluids to produce  
12 pipeline-grade natural gas;

13 (4) "midstream sector" means the  
14 transportation, storage and trading of products;

15 (5) "production" means the taking of products  
16 from underground formations;

17 (6) "storage" means the storage of products  
18 until being distributed to refineries and retailers;

19 (7) "transmission activities" means delivery  
20 of natural gas from a wellhead and processing plant to end  
21 users;

22 (8) "upstream oil and gas exploration" means  
23 the exploration for products in underground formations for  
24 purposes of production, creating geological surveys and  
25 obtaining land rights and production activities, including

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1 drilling; and

2 (9) "vapor recovery unit" means equipment that  
3 reduces emissions from oil and gas activity by capturing  
4 fugitive natural gas vapors through a compressor at the  
5 wellhead or along the midstream sector and eliminates the need  
6 to vent or flare gas."

7 SECTION 2. APPLICABILITY.--The provisions of this act  
8 apply to taxable years beginning on or after January 1, 2023.

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