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HOUSE BILL 276

46TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2004

INTRODUCED BY

Brian K. Moore

AN ACT

RELATING TO TAXATION; PROVIDING A TAX CREDIT FOR DELIVERY OF
PRODUCED WATER TO THE CANADIAN RIVER OR THE CIMARRON RIVER.

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

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

"~~[NEW MATERIAL]~~ CREDIT--DELIVERY OF PRODUCED WATER.--

A. A taxpayer may claim a credit in an amount equal
to one thousand dollars (\$1,000) per acre-foot of produced
water delivered to the Canadian river or to the Cimarron river
if:

(1) the delivery of the water is in compliance
with rules promulgated by the oil and conservation division of
the energy, minerals and natural resources department pursuant
to Subsection B of Section 70-2-12 NMSA 1978;

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1 (2) the state engineer determines that
2 diversion of the water will not impair existing water rights,
3 is not contrary to the conservation of water within the state
4 and is not detrimental to the public welfare of the state; and

5 (3) after delivery, the water remains public
6 water of the state.

7 B. A taxpayer may apply for certification of
8 eligibility for the tax credit provided in this section from
9 the state engineer and the energy, minerals and natural
10 resources department, which shall determine if the applicant's
11 delivery of produced water is in accordance with Subsection A
12 of this section.

13 C. To claim the tax credit provided in this
14 section, a taxpayer shall submit to the taxation and revenue
15 department a certification of eligibility issued by the state
16 engineer and the energy, minerals and natural resources
17 department pursuant to Subsection B of this section, along with
18 any other information the taxation and revenue department may
19 require to determine the amount of the tax credit due the
20 taxpayer.

21 D. The tax credit provided in this section may be
22 deducted from the taxpayer's corporate income tax liability for
23 the taxable year. If the amount of the tax credit claimed
24 exceeds the taxpayer's corporate income tax liability, the
25 credit may be carried forward for up to three consecutive

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1 years.

2 E. As used in this section, "produced water" means
3 water that is an incidental byproduct for drilling for or
4 production of oil or gas."

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