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AN ACT

RELATING TO TAXATION; MAKING A TECHNICAL CORRECTION TO THE
DEFINITION OF PRODUCED WATER FOR THE PURPOSE OF A TAX CREDIT
FOR PRODUCED WATER; EXTENDING A DELAYED REPEAL.

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

Section 1. Section 7-2-18.9 NMSA 1978 (being Laws 2002,
Chapter 91, Section 1) is amended to read:

"7-2-18.9. CREDIT FOR PRODUCED WATER.--

A. An operator who files an individual New Mexico
income tax return who is not a dependent of another taxpayer
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:

(1) the operator delivers the water to the
interstate stream commission at the Pecos river in compliance
with the applicable requirements of New Mexico's Water
Quality Act, New Mexico's water quality control commission
regulations and federal clean water acts;

(2) the operator delivers the water solely
in a manner approved by the interstate stream commission to
contribute to delivery obligations pursuant to the Pecos
River Compact; and

(3) upon delivery to the interstate stream

1 commission at the Pecos river, title is transferred to the
2 interstate stream commission, which shall indemnify the
3 operator from future liability.

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

8 C. The tax credit provided in this section may
9 only be deducted from the operator's personal income tax
10 liability. Any portion of the tax credit provided in this
11 section that remains unused at the end of the operator's
12 taxable year may be carried forward for three consecutive
13 taxable years.

14 D. As used in this section, "produced water" means
15 water produced from oil or gas drilling and production from a
16 depth of two thousand five hundred feet or more below the
17 surface or from refining crude oil or processing natural gas.

18 E. As used in this section, "operator" means a
19 refinery, a natural gas processor or a person who operates an
20 oil or gas well.

21 F. The interstate stream commission shall provide
22 legal confirmation of receipt of the water from the operator,
23 and the operator shall provide documentation to the
24 department to prove eligibility for the tax credit provided
25 in this section."

1 Section 2. Section 7-2A-20 NMSA 1978 (being Laws 2002,
2 Chapter 91, Section 2) is amended to read:

3 "7-2A-20. CREDIT FOR PRODUCED WATER.--

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

9 (1) the operator delivers the water to the
10 interstate stream commission at the Pecos river in compliance
11 with the applicable requirements of New Mexico's Water
12 Quality Act, New Mexico's water quality control commission
13 regulations and federal clean water acts;

14 (2) the operator delivers the water solely
15 in a manner approved by the interstate stream commission to
16 contribute to delivery obligations pursuant to the Pecos
17 River Compact; and

18 (3) upon delivery to the interstate stream
19 commission at the Pecos river, title is transferred to the
20 interstate stream commission, which shall indemnify the
21 operator from future liability.

22 B. The tax credit provided in this section may
23 only be deducted from the operator's corporate income tax
24 liability. Any portion of the tax credit provided in this
25 section that remains unused at the end of the operator's

1 taxable year may be carried forward for three consecutive
2 taxable years.

3 C. As used in this section, "produced water" means
4 water produced from oil or gas drilling and production from a
5 depth of two thousand five hundred feet or more below the
6 surface or from refining crude oil or processing natural gas.

7 D. As used in this section, "operator" means a
8 refinery, a natural gas processor or a person who operates an
9 oil or gas well.

10 E. The interstate stream commission shall provide
11 legal confirmation of receipt of the water from the operator,
12 and the operator shall provide documentation to the
13 department to prove eligibility for the tax credit provided
14 in this section."

15 Section 3. Laws 2002, Chapter 91, Section 3 is amended
16 to read:

17 "Section 3. DELAYED REPEAL.--Sections 1 and 2 of this
18 act are repealed effective January 1, 2009."_____

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