

HOUSE ENERGY, ENVIRONMENT AND NATURAL RESOURCES
COMMITTEE SUBSTITUTE FOR
HOUSE BILL 350

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

AN ACT

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

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] OIL AND GAS EMISSION REDUCTION CORPORATE
INCOME TAX CREDIT.--

A. For taxable years prior to January 1, 2028, a
taxpayer that, on or after January 1, 2023, installs a
purchased or leased vapor recovery unit that causes a reduction
in emissions from a stripper well property may apply for, and
the department may allow, a credit against the taxpayer's tax
liability imposed pursuant to the Corporate Income and
Franchise Tax Act. The tax credit provided by this section may

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1 be referred to as the "oil and gas emission reduction corporate
2 income tax credit".

3 B. The amount of a tax credit allowed pursuant to
4 this section shall be in an amount up to twelve thousand
5 dollars (\$12,000) for the cost of a purchased or leased vapor
6 recovery unit that is installed on a stripper well property;
7 provided that installation of the vapor recovery unit causes a
8 reduction in emissions from a stripper well property. Only one
9 credit per vapor recovery unit installed on a stripper well
10 property 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. The aggregate
15 amount of tax credits that may be certified as eligible in any
16 calendar year is one hundred million dollars (\$100,000,000).
17 Completed applications shall be considered in the order
18 received and shall include evidence to the satisfaction of that
19 department that the installation of a vapor recovery unit has
20 caused a reduction in emissions from a stripper well property.
21 Applications for certification received after the aggregate
22 amount of tax credits has been met in a calendar year shall not
23 be approved. For taxpayers eligible to receive the credit, the
24 energy, minerals and natural resources department shall issue a
25 certificate of eligibility stating the amount of credit to

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1 which the taxpayer is entitled for the taxable year. The
2 certificate of eligibility shall be numbered for identification
3 and declare the date of issuance and the amount of the tax
4 credit allowed.

5 D. To receive the credit provided by this section,
6 a taxpayer shall apply to the department on forms and in the
7 manner prescribed by the department. The application shall
8 include a certification made pursuant to Subsection C of this
9 section.

10 E. That portion of a credit that exceeds a
11 taxpayer's tax liability in the taxable year in which the
12 credit may be carried forward for up to seven consecutive
13 years.

14 F. A taxpayer allowed a tax credit pursuant to this
15 section shall report the amount of the credit to the department
16 in a manner required by the department.

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

25 H. As used in this section:

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1 (1) "reduction in emissions from a stripper
2 well property" means a reduction in emissions from a stripper
3 well property that would have been emitted if not for:

4 (a) the replacement, repair or retrofit
5 of a stationary compressor engine of a well on a stripper well
6 property;

7 (b) the installation of systems or
8 equipment on a well on a stripper well property that reduce the
9 loss of gas, venting of gas, flaring of gas or burning of gas
10 using a combustion control device; or

11 (c) the installation of emissions-
12 monitoring equipment on a well on a stripper well property;

13 (2) "stripper well property" means, with
14 respect to any calendar year, a property producing not more
15 than ten barrel equivalents of domestic crude oil per day or
16 sixty thousand cubic feet of domestic natural gas per day,
17 determined by dividing the average daily production of domestic
18 crude oil or domestic natural gas from producing wells on the
19 property for such calendar year by the number of such wells on
20 the property; and

21 (3) "vapor recovery unit" means equipment that
22 causes a reduction in emissions from a stripper well property
23 by capturing fugitive natural gas vapors through a compressor
24 at the wellhead and eliminates the need to vent or flare gas."

25 SECTION 2. APPLICABILITY.--The provisions of this act

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1 apply to taxable years beginning on or after January 1, 2023.

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