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SENATE BILL 111

47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005

INTRODUCED BY

Carlos R. Cisneros

FOR THE WATER AND NATURAL RESOURCES COMMITTEE AND
THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

RELATING TO TAXATION; PROVIDING A CORPORATE INCOME TAX CREDIT
FOR THE GATHERING, TRANSPORTING OR TREATMENT OF PRODUCED WATER
FOR DISPOSITION IN THE GENERATION OF ELECTRICITY.

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--DISPOSITION OF GATHERED,
TRANSPORTED OR TREATED PRODUCED WATER. --

A. A taxpayer that gathers, transports or treats
produced water, which is disposed of in the process of
generating electricity, may claim a tax credit for the taxable
year in which the disposition of the water occurs if the
disposition of the water is in accordance with rules
promulgated by the oil conservation division of the energy,

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1 minerals and natural resources department. The tax credit
2 shall be an amount equal to one thousand dollars (\$1,000) per
3 acre-foot of the produced water disposed of in the taxable
4 year; provided that the total tax credit to all claimants shall
5 not exceed three million dollars (\$3,000,000) in a taxable
6 year; and provided further that the total accumulated tax
7 credits claimed by the taxpayer over time shall not exceed
8 fifty percent of the capital cost of equipment for gathering,
9 transporting or treating the produced water that is disposed of
10 in an electric generating facility.

11 B. A taxpayer may apply for certification of
12 eligibility for the tax credit provided in this section from
13 the energy, minerals and natural resources department, which
14 shall determine if the produced water is disposed of in
15 accordance with rules promulgated pursuant to Subsection B of
16 Section 70-2-12 NMSA 1978 and shall determine the amount of
17 that produced water that has been used in the taxable year in
18 the generation of electricity. The energy, minerals and
19 natural resources department shall issue to the applicant a
20 certification of eligibility containing this information.

21 C. To claim the tax credit provided in this
22 section, a taxpayer shall submit to the taxation and revenue
23 department a certification of eligibility issued by the energy,
24 minerals and natural resources department pursuant to
25 Subsection B of this section, along with any other information

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1 the taxation and revenue department may require to determine
2 the amount of the tax credit due the taxpayer.

3 D. The tax credit provided in this section may be
4 deducted from the taxpayer's corporate income tax liability for
5 the taxable year. If the amount of the tax credit claimed
6 exceeds the taxpayer's corporate income tax liability, the
7 credit may be carried forward for up to three consecutive
8 years.

9 E. As used in this section, "produced water" means
10 water that is an incidental byproduct from drilling for or
11 production of oil or gas."