

AGRICULTURAL WATER CONSERVATION TAX CREDIT CLAIM FORM INSTRUCTIONS

About this Credit: A taxpayer may claim a credit against the taxpayer's personal or corporate income tax liability for expenses incurred by the taxpayer for eligible improvements in irrigation systems or water management methods. The credit may be claimed for the taxable year in which the expenses are incurred if the taxpayer:

- 1) In that year, owned or leased a water right appurtenant to the land on which an eligible improvement was made;
- 2) Filed an individual New Mexico income tax return for that year;
- 3) In that year, was not a dependent of another individual; and
- 4) Did not and will not take a tax credit for the same expense on a corporate or a personal income tax return.

The amount of the credit is 35% of eligible expenses incurred in calendar year 2008 and 50% of eligible expenses incurred in subsequent years through December 31, 2012. **NOTE:** The agricultural water conservation tax credit provisions are repealed effective January 1, 2013; however, taxpayer may claim a carryforward of the credit. The total credit allowed in a tax year may not exceed \$10,000 per year per taxpayer, for an eligible improvement in irrigation systems or water management methods on land in New Mexico that is owned or leased by the taxpayer and used by the taxpayer to produce agricultural products; harvest or grow trees; or sustain livestock. Credit not taken may be carried forward for five consecutive tax years following the year the eligible expenses were incurred.

Co-owners of land on which eligible improvements are made may claim a pro-rata share of the credit based on the co-owner's ownership interest. Pass-through entities making eligible expenses may pass the credit through to their owners in proportion to their share of ownership. The total of the credits allowed all co-owners, partners, or members may not exceed the amount that would have been allowed a sole owner. A husband and wife who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half of the credit that would have been allowed on a joint return.

Eligible improvement in irrigation systems or water management methods means an improvement that is:

- 1) made on or after January 1, 2008;
- 2) consistent and complies with a water conservation plan approved by the local soil and water conservation district in which the improvement is located; and
- 3) primarily designed to substantially conserve water on land in New Mexico that is owned or leased by the taxpayer and used by the taxpayer or the taxpayer's lessee to:
 - (a) produce agricultural products;
 - (b) harvest or grow trees; or
 - (c) sustain livestock.

Upon request, taxpayers claiming the credit may be required to provide documentary evidence of the amount of water conserved during the period for which the credit is claimed. Water conserved due to improvements in irrigation systems or water management methods and for which a credit is claimed shall not be subject to abandonment or forfeiture, nor shall the conserved water be put to consumptive beneficial use.

Applying for the Credit: To apply for the agricultural water conservation tax credit, obtain an application package from the Soil and Water Conservation district which encompasses the land upon which the applicant is claiming an eligible improvement has occurred. To find your local Soil and Water Conservation district, visit www.nmda.nmsu.edu/?s=soil+and+water+conservation+district or call (575) 646-2642.

Once the application is approved, the district will issue a certificate of eligibility. If more than one owner, partner or member is entitled to the credit, each owner, partner or member will receive a separate certificate of eligibility. Upon receipt of a certificate of eligibility, the owner, partner, or member may claim the credit against their personal or corporate income tax by attaching a completed Form RPD-41319, *Agricultural Water Conservation Tax Credit Claim Form*, and a copy of the certificate of eligibility to the tax return for the tax year in which the credit is approved. If the amount of the credit exceeds the tax due, the owner, partner, or member may carry the excess forward for not more than five consecutive tax years.

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Line Instructions for Completing Form RPD-41319, *Agricultural Water Conservation Tax Credit Claim Form*: Enter the holder's name and social security number or federal employer identification number. Complete Schedule A to compute total excess credit available for carryforward. Include in Schedule A, only credits that have been allowed for a prior tax year, and that have a balance available for carryforward. Credits approved for the tax year of this claim will be included on line 1 of this claim form.

Instructions for Schedule A - worksheet to compute the total excess credit available for carryforward

(a) Tax year of previous year's credit. Enter the prior tax years for which an agricultural water conservation tax credit has been approved. If additional space is needed, attach a schedule in the same format on a separate page. Do not make an entry for a tax year for which the approved credit is no longer available for carryforward. Excess agricultural water conservation tax credits may only be carried forward for five consecutive years following the tax year that the qualified eligible expenses were incurred.

(b) Amount of credit approved. For each tax year listed in column (a), enter the amount of credit approved for that tax year.

(c) Credit claimed against prior year tax liabilities. For each credit amount listed in column (b), enter the total amount of credit applied to personal or corporate income tax liabilities on prior year returns.

(d) Excess credit available for carryforward. Subtract column (c) from column (b) and enter the difference.

Total excess credit available for carryforward. Enter the sum of all amounts in column (d). If supplemental pages are attached, enter the sum of all amounts in column (d) from all pages. Also enter this amount on Line 2 of this form.

Line 1. Tax credits approved. Enter the agricultural water conservation tax credits approved for the tax year of the attached return.

Line 2. Total excess credit available for carryforward. Enter the excess credit available for carryforward from Schedule A.

Line 3. Enter the sum of lines 1 and 2. This is the total agricultural water conservation tax credit available to be claimed against the personal or corporate income tax liability due on the attached return.

Line 4. Enter the portion of available credit claimed on your attached personal or corporate income tax return.

Certifications

The taxpayer claiming the agricultural water conservation tax credit must certify that the applicable statements are true by checking the boxes on Form RPD-41319 to claim the credit.

Sign and date the claim form.

The credit applied to the attached return cannot exceed the amount of personal or corporate income tax liability otherwise due. You must apply credit approved to be claimed in the tax year first (Line 1). If the credit amount approved to be claimed in a tax year is less than the personal or corporate income tax liability for that year, you may apply excess credit available for carryforward (Line 2) next. When applying excess credits available for carryforward, apply the credit with the oldest approval date first.

Attach Form RPD-41319, *Agricultural Water Conservation Tax Credit Claim Form*, to your personal or corporate income tax return and mail to the address on the New Mexico income tax return. For assistance completing this form, call (505) 827-6811.