



New Mexico Agricultural Biomass Tax Credit

Policy Summary

Over the past several years, the state of New Mexico has considered different solutions to deal with waste from the state's many dairy farms. One solution was to process the manure through an anaerobic digester and use the methane for power production and vehicle fuel, which led to the development of the Agriculture Biomass Income Tax Credit (H.B. 146), created by the state legislature in 2010. New Mexico offers this tax credit to encourage the use of anaerobic digestion to convert waste from dairy farms through anaerobic digestion as an alternative fuel, also referred to as biogas or renewable natural gas (RNG). Anaerobic digestion and combined heat and power (CHP) are both options that not only mitigate waste but also reduce emissions and improve efficiency.

Quick Facts

LOCATION: New Mexico
MARKET SECTOR: Government
POLICY TYPE: Agriculture
POLICY START: 2012
GEOGRAPHY: Statewide

Policy Background

New Mexico is home to over two million residents across 121,590 square miles, making it the fifth-largest state (by area) in the United States. With a diverse landscape mix of mountains, mesas, forests, and arid deserts, New Mexico is also referred to as the Land of Enchantment. Dairy is New Mexico's top agricultural commodity, providing an average of \$1.1–\$1.3 billion in cash receipts annually.^{1,2} Approximately 150 dairies operate across the state and employ nearly 6,000 people.

The dairies, all of which are family-owned, have an average herd size of 2,300–2,500 cows per dairy for a total of more than 300,000 dairy cows, producing over 8 billion pounds of milk and 750 million pounds of cheese annually. A majority of the milk is processed within the state. An average milk cow produces 16 to 20 gallons of manure each day—almost 6 million gallons of manure per year. Most of the manure is compacted in the dairy corrals, forming impermeable layers on existing soil. The rest may be combined with water and discharged to lagoons. This product, often referred to as “green” or “process” water, mixes with fresh water and is used to irrigate feed crops within the dairies. Solid manure waste is typically applied on the property or sold to or shared with other local farmers, residents, and/or businesses.



IMAGE COURTESY OF NEW MEXICO ENVIRONMENTAL DEPARTMENT (NMED)

New Mexico dairies are regulated by the New Mexico Environmental Department's Groundwater Quality Bureau. All dairies are required to have Ground Water Discharge Permits that regulate all aspects of liquid and solid manure storage,

¹ <https://www.therooseveltreview.com/national-dairy-month-nm-economic-coalition-highlights-top-agricultural-commodity/>

² https://data.ers.usda.gov/reports.aspx?ID=17832#Pa5498995a3944aa18228ee4685500f91_2_17iTOR0x31

treatment, and disposal. These permits indicate the volumes of process water that may be discharged into the lagoons and land application sites.

Policy Development

In recent years, New Mexico saw a shift in the state's electricity sector from fossil fuels to a new fuel mix of biomass and other renewable energy sources. In 2018, the Energy Conservation and Management Division of New Mexico's Energy, Minerals and Natural Resources Department published the *New Mexico Energy Roadmap*. The goal of the roadmap is to "strengthen and diversify a New Mexico energy economy that is resilient to global changes." Considerations for all of New Mexico's energy sources were explored, including CHP, biomass, solar, and other renewables, as the state works to advance its rank of 36th in the American Council for an Energy Efficient Economy, State Energy Efficiency Scorecard.³

New Mexico's biomass income tax credit was created by the state legislature in 2010, with an initial expiration in December 2020. In March 2020, the legislature passed H.B. 146, which extended the credit for an additional ten years. The bill also added reporting requirements for both the taxpayers receiving credit and the New Mexico Taxation and Revenue Department.

Policy Details

The tax credit is available for an individual or corporate taxpayer who owns a dairy or feedlot. This tax credit is transferrable, allowing dairies to receive the credit and then transfer the earned credit to digesters. The income tax credit amount is calculated at \$5 per wet ton of qualified biomass. The statewide maximum amount of the annual total of all agricultural biomass income tax credits is \$5 million.

The New Mexico Energy, Minerals and Natural Resources Department established procedures to certify biomass transportation to qualified facilities that use agricultural biomass to generate electricity or make biocrude or other liquid or gaseous fuel for commercial use.⁴

Additional Tax Details

- A taxpayer who owns a dairy or feedlot and files an individual New Mexico income tax return for a taxable year between January 1, 2011, and January 1, 2030, may apply for a tax credit equal to \$5/wet ton of agricultural biomass transported from the dairy/feedlot to a facility that uses agricultural biomass to generate electricity or make biocrude or other liquid or gaseous fuel for commercial use.
- If requirements are met, the Taxation and Revenue Department issues a document granting an agricultural biomass income tax credit to the taxpayer.
- Any unused portion of the agricultural biomass income tax credit in a taxable year can be carried forward (up to a maximum of four consecutive taxable years following the taxable year in which the credit originates) until fully expended.
- Taxpayers cannot claim personal agricultural biomass income tax credit and corporate income tax credit for transportation of the same agricultural biomass.

For More Information

U.S. DOE SOUTHCENTRAL CHP TECHNICAL ASSISTANCE PARTNERSHIP (CHP TAP)

www.scchptap.org

Date produced: 2020

³ <https://www.emnrd.nm.gov/officeofsecretary/wp-content/uploads/sites/2/bw2018AR30Feb.pdf>

⁴ <https://www.nmlegis.gov/Sessions/20%20Regular/final/HB0146.pdf>