STATE OF NEW YORK

5660--A

2025-2026 Regular Sessions

IN ASSEMBLY

February 19, 2025

Introduced by M. of A. BARRETT, LUPARDO, KELLES -- read once and referred to the Committee on Agriculture -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the agriculture and markets law and the tax law, in relation to enacting the carbon farming act

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. This act shall be known and may be cited as the "carbon farming act".

§ 2. Section 150 of the agriculture and markets law is amended by adding a new subdivision 5 to read as follows:

5. "Carbon farming" means the implementation of land management strategies for the purposes of sequestering greenhouse gas emissions into agricultural soils, minerals and biomass on land used in support of a farm operation, or in carbonate minerals or bicarbonates, through approved carbon farming practices pursuant to section one hundred fifty-one-s of this chapter.

§ 3. The agriculture and markets law is amended by adding a new article 11-C to read as follows:

ARTICLE 11-C

CARBON FARMING ACT

Section 151-p. Legislative findings and intent.
151-q. Definitions.
151-r. Carbon farming certification committee.
151-s. Approval of carbon farming certification.
151-t. Carbon farming education.

§ 151-p. Legislative findings and intent. The legislature finds and declares that carbon farming presents a significant economic opportunity for New York's agricultural sector while advancing the state's climate goals. By incentivizing soil carbon sequestration, enhancing soil

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

LBD00292-06-5

health, and reducing greenhouse gas emissions, this legislation will provide direct economic benefits to farmers, improve long-term agricultural productivity, and contribute to the expansion of a carbon farming industry within the state. Establishing New York as a leader in this field will promote investment, job creation, and rural economic development, while also positioning the state as a model for integrating climate-smart agricultural practices into a broader decarbonization strategy.

§ 151-q. Definitions. As used in this article:

1. "Committee" means the carbon farming certification committee established pursuant to section one hundred fifty-one-r of this article.

2. "Carbon farming certification framework" or "certification framework" means the set of technical criteria and procedures used to determine eligibility for the carbon farming tax credit. The certification framework shall be used to: (a) identify qualified carbon farming practices that are appropriate and effective within the context of New York state farming systems, based on credible research and regionally relevant data; (b) define the factors to be considered in evaluating carbon sequestration potential, including expected duration of storage, monitoring and verification requirements, appropriate application ranges, and implementation conditions; and (c) provide the basis for developing practice-specific certification standards for each qualified practice.

3. "Carbon farming practice standard" or "practice standard" means the set of practice-specific requirements that shall be met for a qualified practice to be eligible for the carbon farming tax credit. Each practice standard shall: (a) establish the parameters for monitoring, reporting and verification, consistent with accepted scientific and technical methodologies; (b) define appropriate application ranges and implementation thresholds to ensure agronomic suitability and to prevent excessive use of a practice solely for the purpose of increasing the credit value; and (c) specify the conditions under which the practice shall be implemented to ensure that the intended carbon sequestration outcomes are achieved.

4. "Carbon farming credit value" or "credit value" means the monetary value assigned per metric ton of carbon dioxide equivalent removed through qualified practices, based on the social cost of carbon as adopted by the department pursuant to section 75-0113 of the environmental conservation law, and adjusted, where applicable, by a factor reflecting the expected duration of carbon sequestration.

5. "Carbon farming tax credit" means the carbon farming credit established pursuant to section two hundred ten-B or six hundred six of the tax law.

6. "Durability rating" means an assessment of the expected length of time that carbon dioxide removed through a qualified practice will remain sequestered. Practices that are determined to store carbon for one hundred years or longer shall receive the highest rating. Practices with shorter storage durations shall receive proportionally lower ratings, to ensure that the value of the tax credit reflects the longevity of the carbon benefits, as determined using methodologies approved by the department.

7. "Farm product" has the same meaning as set forth in subdivision five of section two of this chapter.

8. "Monitoring, reporting, and verification" or "MRV" means the systematic process of tracking, documenting, and confirming the carbon sequestration impact of carbon farming practices through approved methodologies, ensuring compliance and transparency in reported outcomes.

§ 151-r. Carbon farming certification committee. 1. There is hereby created within the department a carbon farming certification committee for the purpose of developing a certification framework, determining qualified carbon removal practices eligible for the carbon farming tax credit, and promulgating certification standards for qualified carbon removal practices.

2. The carbon farming certification committee shall consist of: the commissioner or their chosen designee; the commissioner of environmental conservation or their chosen designee; two representatives appointed by the governor; two representatives appointed by the temporary president of the senate; two representatives appointed by the speaker of the assembly; one representative appointed by the minority leader of the senate; and one representative appointed by the minority leader of the assembly. Such members shall be appointed in accordance with the provisions of subdivision three of this section.

3. The carbon farming certification committee shall include members from regions throughout the state and shall include at least one representative practicing farming in the state. Such representatives shall have experience in one or more of the following fields: soil science, agronomy, carbon quantification, climate science, or New York state farming systems.

4. The members of the committee shall serve without compensation but shall be entitled to reimbursement for all necessary expenses incurred in the performance of their duties.

5. The committee shall establish a framework for evaluating carbon farming practices that will be used to qualify carbon farming practices for the carbon farming tax credit and develop practice specific certification standards for each qualified practice. Pursuant to qualifying or disqualifying a practice, the committee shall assess, consider, and make determinations in reference to the following:

(a) scientific evidence of carbon sequestration benefits of carbon farming practices under New York state conditions;

(b) parameters required for monitoring, reporting and verification of each practice, consistent with accepted scientific and technical methodologies;

(c) appropriate application ranges and implementation thresholds for each qualified practice to ensure agronomic suitability and prevent excessive application; and

(d) other conditions under which each practice must be implemented to ensure the intended carbon sequestration outcomes are achieved.

6. Before finalizing the certification framework, determining qualified carbon removal practices eligible for the carbon farming tax credit and promulgating certification standards for the qualified carbon removal practices pursuant to subdivision one of this section, the committee shall provide a draft framework to the department and the department shall make such information available on its website.

7. The committee shall hold at least three public hearings on the draft framework and shall allow at least sixty days for the submission of public comment.

8. The committee shall convene within sixty days of the effective date of this section and shall deliver the certification framework, determine qualified practices, and deliver associated practice-specific certification standards to the department no later than eighteen months from the date of its first meeting.

9. The committee shall meet no less than annually to review the certification framework and certification standards and may modify such

framework and standards to incorporate new data and scientific findings. The committee shall review qualified carbon removal practices and modify such practices as needed.

§ 151-s. Approval of carbon farming certification. 1. Upon delivery of the certification framework, qualified carbon removal practices eligible for the carbon farming tax credit, and certification standards from the carbon farming certification committee pursuant to section one hundred fifty-one-r of this article, the department shall review, amend and approve such certification framework and certification standards no later than six months after delivery to the department by the committee. The department, in consultation with the department of environmental conservation, shall:

(a) establish procedures for verifying compliance with each practice-specific certification standard; and

(b) promulgate rules and regulations necessary to implement the provisions of this subdivision.

2. Upon approval of the certification framework, list of qualified practices, and associated practice-specific certification standards, the department shall transmit such materials to the department of taxation and finance for the purpose of administering the carbon farming tax credit authorized pursuant to the tax law.

3. The department shall provide ongoing technical guidance and support to the department of taxation and finance as needed to ensure that tax credit claims are consistent with the approved certification framework and certification standards.

4. The department of taxation and finance shall consult with the department as needed to verify compliance, resolve disputes, and support implementation of the credit.

§ 151-t. Carbon farming education. 1. The department, in cooperation with the department of environmental conservation, the state soil and water conservation committee, and the New York state college of agriculture and life sciences shall develop educational materials to encourage carbon farming. Such educational materials shall promote farming practices which reduce, sequester and mitigate greenhouse gas emissions on land used in support of a farm operation.

2. The department shall promote the carbon farming tax credit established pursuant to sections two hundred ten-B and six hundred six of the tax law.

§ 4. Section 210-B of the tax law is amended by adding a new subdivision 63 to read as follows:

63. Carbon farming credit. (a) Allowance of credit. A taxpayer that is an agricultural business that produces farm products shall be allowed a credit against the tax imposed by this article for the practice of carbon farming.

(b) Definitions. For purposes of this section the following terms shall have the following meanings:

(i) "carbon farming" shall have the same meaning as set forth in subdivision five of section one hundred fifty of the agriculture and markets law;

(ii) "carbon farming credit value" shall mean the monetary value assigned per metric ton of carbon dioxide equivalent removed through qualified carbon farming practices, based on the social cost of carbon as set forth in section 75-0113 of the environmental conservation law, and adjusted, where applicable, by a factor reflecting the expected duration of carbon sequestration;

(iii) "carbon sequestration" shall mean the storage of carbon in trees, soil, minerals, and water;

(iv) "durability rating" shall mean an assessment of the expected length of time that carbon dioxide removed through a qualified practice will remain sequestered. Practices that are determined to result in carbon sequestration of one hundred years or more shall be assigned a durability rating equal to one;

(v) "farm products" shall have the same meaning as set forth in subdivision five of section two of the agriculture and markets law;

(vi) "qualified carbon farming practice" shall mean a practice listed as eligible under the carbon farming certification framework established pursuant to section one hundred fifty-one-r of the agriculture and markets law; and

(vii) "social cost of carbon" shall have the same meaning as set forth in section 75-0113 of the environmental conservation law.

(c) Valuation of credit. The monetary value of the credit, per metric ton, shall vary according to the durability rating of each carbon farming practice. Values shall be derived from the social cost of carbon and adjusted based on the durability rating of each practice to ensure that the value of the tax credit reflects the longevity of the carbon benefits. Practices that are determined to store carbon for one hundred years or longer shall be assigned credit values equal to the social cost of carbon per metric ton. Practices with shorter storage durations shall be assigned proportionally lower credit values adjusted for their durability rating.

(d) Application of credit. Such credit shall be equal to the total number of metric tons of carbon dioxide removed and sequestered during the taxable year, as certified pursuant to section one hundred fifty-one-s of the agriculture and markets law, multiplied by the carbon farming credit value.

(e) Certification required. The taxpayer shall attach to its tax return its final certificate of eligibility issued by the commissioner of agriculture and markets pursuant to section one hundred fifty-one-s of the agriculture and markets law. In no event shall the taxpayer be allowed a credit greater than the amount of the credit listed on the final certificate verifying the emissions reductions to be credited to the taxpayer.

(f) Carryover of credit. If the amount of the credit allowable under this subdivision shall exceed the taxpayer's tax for such year and the taxpayer's New York adjusted gross income for such year does not exceed sixty thousand dollars, the excess shall be treated as an overpayment of tax to be credited or refunded in accordance with the provisions of section six hundred eighty-six of this chapter, provided, however, that no interest shall be paid thereon. If the taxpayer's New York adjusted gross income for such year exceeds sixty thousand dollars, the excess credit may be carried over to the following year or years and may be deducted from the taxpayer's tax for such year or years.

§ 5. Section 606 of the tax law is amended by adding a new subsection (uuu) to read as follows:

(uuu) Carbon farming credit. (1) Allowance of credit. A taxpayer who provides farm products and who practices carbon farming shall be allowed a credit against the tax imposed by this article.

(2) Definitions. For the purposes of this subsection, the following definitions shall apply:

(A) "Carbon farming" shall have the same meaning as set forth in subdivision five of section one hundred fifty of the agriculture and markets law.

(B) "Carbon farming credit value" shall mean the monetary value assigned per metric ton of carbon dioxide equivalent removed through qualified carbon farming practices, based on the social cost of carbon as set forth in section 75-0113 of the environmental conservation law, and adjusted, where applicable, by a factor reflecting the expected duration of carbon sequestration.

(C) "Carbon sequestration" shall mean the storage of carbon in trees, soil, minerals, and water.

(D) "Durability rating" shall mean an assessment of the expected length of time that carbon dioxide removed through a qualified practice will remain sequestered. Practices that are determined to result in carbon sequestration of one hundred years or more shall be assigned a durability rating equal to one.

(E) "Farm products" shall have the same meaning as set forth in subdivision five of section two of the agriculture and markets law.

(F) "Qualified carbon farming practice" shall mean a practice listed as eligible under the carbon farming certification framework established pursuant to section one hundred fifty-one-r of the agriculture and markets law.

(G) "Social cost of carbon" shall have the same meaning as set forth in section 75-0113 of the environmental conservation law.

(3) Application of credit. Such credit shall be equal to the total number of metric tons of carbon dioxide removed and sequestered during the taxable year, as certified pursuant to section one hundred fifty-one-s of the agriculture and markets law, multiplied by the carbon farming credit value.

(4) Certification required. The taxpayer shall attach to its tax return its final certificate of eligibility issued by the commissioner of agriculture and markets pursuant to section one hundred fifty-one-s of the agriculture and markets law. In no event shall the taxpayer be allowed a credit greater than the amount of the credit listed on the final certificate verifying the emissions reductions to be credited to the taxpayer.

(5) Carryover of credit. If the amount of the credit allowable under this subsection shall exceed the taxpayer's tax for such year and the taxpayer's New York adjusted gross income for such year does not exceed sixty thousand dollars, the excess shall be treated as an overpayment of tax to be credited or refunded in accordance with the provisions of section six hundred eighty-six of this article, provided, however, that no interest shall be paid thereon. If the taxpayer's New York adjusted gross income for such year exceeds sixty thousand dollars, the excess credit may be carried over to the following year or years and may be deducted from the taxpayer's tax for such year or years.

§ 6. Paragraph (a-1) of subdivision 1 of section 210-B of the tax law, as added by section one of subpart A of part B of chapter 59 of the laws of 2022, is amended to read as follows:

(a-1) For a taxpayer that is an eligible farmer, as defined in subdivision eleven of this section, the percentage to be used to compute the credit allowed under this subdivision shall be twenty percent for property described in subparagraph (i) of paragraph (b) of this subdivision that is principally used by the taxpayer in the production of goods by farming, agriculture, horticulture, floriculture or viticulture. For any such property described in subparagraph (i) of paragraph (b) of this

subdivision that is principally used by the eligible taxpayer for the purposes of carbon farming, as defined in subdivision five of section one hundred fifty of the agriculture and markets law, the percentage to be used to compute the credit allowed under this subdivision shall be an additional ten percent.

§ 7. Paragraph 1-a of subsection (a) of section 606 of the tax law, as added by section 2 of subpart A of part B of chapter 59 of the laws of 2022, is amended to read as follows:

(1-a) For a taxpayer that is an eligible farmer, as defined in subsection (n) of this section, the percentage to be used to compute the credit allowed under this subsection shall be twenty percent for property described in subparagraph (A) of paragraph two of this subsection that is principally used by the taxpayer in the production of goods by farming, agriculture, horticulture, floriculture or viticulture. **For any such property described in subparagraph (A) of paragraph two of this subsection that is principally used by the eligible taxpayer for the purposes of carbon farming, as defined in subdivision five of section one hundred fifty of the agriculture and markets law, the percentage to be used to compute the credit allowed under this subsection shall be an additional ten percent.**

§ 8. This act shall take effect on the one hundred eightieth day after it shall have become a law. Effective immediately, the addition, amendment and/or repeal of any rule or regulation necessary for the implementation of this act on its effective date are authorized to be made and completed on or before such effective date.