SUBJECT: Extending the deadline for a tax credit for enhanced efficiency equipment

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Keffer, Ritter, Otto, Y. Davis, Paxton, Pena, Pitts

0 nays

2 absent — Bonnen, Flores

SENATE VOTE: On final passage, May 8 — 31-0, on the Local and Uncontested Calendar

WITNESSES: (*On House companion bill, HB 2394 by Crownover:*)
For — (*Registered, but did not testify*: Kerry Knorpp, Historic Family Ranches of the Panhandle: Batson/Bivins Minerals/Masterson Estate/Thompson-Brent-Real Ranches; Kelly McBeth, Jackie Thomas, Shayne Woodard, Fiberod; Julie W. Moore, Occidental Petroleum Corporation; Steve Perry, Chevron USA)

Against — None

BACKGROUND: Tax Code, sec. 202.052 imposes a tax at the rate of 4.6 percent of the market value of oil produced or 4.6 cents for each barrel of 42 standard gallons of oil produced, whichever is greater. Oil produced from a new or expanded enhanced recovery project for the displacement of oil from the earth is taxed at a rate of 2.3 percent.

Tax Code sec. 202.061 allows a severance tax credit of 10 percent of the cost of enhanced efficiency equipment used in the production of oil from a marginal well. Equipment must be purchased and installed no later than September 1, 2009.

DIGEST: Under SB 1173, enhanced efficiency equipment would have to be purchased and installed no later than September 1, 2013, in order to qualify for the 10 percent severance tax credit under Tax Code. sec. 202.061, extending the deadline by four years.

The bill would take effect September 1, 2007.

NOTES: The companion bill, HB 2394 by Crownover, was considered in the House Ways and Means Committee on April 25 and was left pending.