

**SUBJECT:** Defining oilfield portable units for taxation purposes

**COMMITTEE:** Ways and Means — committee substitute recommended

**VOTE:** 8 ayes — Hilderbran, Otto, Elkins, Gonzalez, Murphy, Ritter, Villarreal, Woolley

0 nays

3 absent — Christian, Lyne, Martinez Fischer

**WITNESSES:** For — Robert Ryan, Stallion Oilfield Services; (*Registered, but did not testify*: Dan Hinkle, Association of Energy Service Companies; James LeBas, Texas Oil and Gas Association)

Against — None

**DIGEST:** CSHB 3182 would amend the taxable definitions of “motor vehicle” and “hotel” to exclude oilfield portable units (OPUs). The bill would define an OPU as a temporary building, with or without wheels, that was used at any oil, gas, water disposal, or injection well site to provide to well site employees, contractors, or other workers sleeping accommodations or temporary work space, including office space. An OPU would not require attachment to a foundation or to the ground to be functional.

The bill would subject OPUs to the sales tax.

The bill would take effect on September 1, 2011.

**SUPPORTERS SAY:** CSHB 3182 would simplify the way OPUs are taxed in Texas. OPUs are varied in style and design and are used as sleeping quarters, changing rooms, offices, and for other purposes. OPUs are variously taxed by taxing authorities across the state under the sales tax, motor-vehicle sales tax, manufactured-housing sales tax, or hotel tax. Not all of these taxes are collected in every locale. For instance, some locales levy a hotel tax, while others do not. As such, some trailers are taxed as hotels in some locations, but not in others. The bill would clarify the taxation of OPUs by placing them under the sales tax.

Taxes should be uniform and consistent across the state. CSHB 3182 would help businesses better plan their tax burden in the volatile oil and gas drilling industry.

According to the LBB's fiscal note, the bill would have no significant fiscal implication on either state or local governments. Most locales receive some type of sales-tax revenue, and any funds lost from collecting hotel and motor-vehicle taxes would be offset by increased sales-tax collections.

**OPPONENTS  
SAY:**

CSHB 3182 could mean a significant loss of revenue to local governments. Local governments that collect hotel taxes would lose hotel tax revenue on applicable OPUs under the bill.

**OTHER  
OPPONENTS  
SAY:**

Portable units for other industries should be covered by the sales tax as well. Oil and gas companies are not the only industry that uses portable units. For example, wind-power companies use them for many of the same purposes when installing and maintaining wind farms. It would be appropriate for CSHB 3182 to cover their portable units as well.