HOUSE RESEARCH ORGANIZATION bill analysis | 5/7/2013 | HB 1712 Lozano (CSHB 1712 by Hilderbran)

SUBJECT: Tax exemptions for offshore spill response containment systems

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 5 ayes — Hilderbran, Button, Eiland, N. Gonzalez, Strama

0 nays

4 absent — Otto, Bohac, Martinez Fischer, Ritter

WITNESSES: For — James LeBas, Texas Oil and Gas Association; Donald Lee, Texas Conference of Urban Counties; Marty Massey, Marine Well Containment Company; (*Registered but did not testify*: Adrian Acevedo, Anadarko Petroleum; Richard A. (Tony) Bennett, Texas Association of Manufacturers; Teddy Carter, Texas Independent Producers and Royalty Owners Association; Dale Cummings; Kinnan Golemon, Shell Oil Company; David Holt, Permian Basin Petroleum Association; John Kennedy, Texas Taxpayers & Research Association; Steve Perry, Chevron USA; Bill Stevens, Texas Alliance of Energy Producers; Sara Tays, Exxon Mobil Corporation)

Against — None

On — (*Registered, but did not testify*: Tim Wooten, Comptroller)

DIGEST: CSHB 1712 would entitle a person (company) to be exempt from property and sales and use taxes if the property the person owned or leased was used as part of an offshore spill response containment system. The tax exemptions would include property used solely for the development, improvement, storage, deployment, repair, maintenance and testing of an oil spill response system in waters more than 5,000 feet deep.

In order to qualify for the exemptions, the person would have to store the property in a state coastal county. The exemptions would not apply to containment equipment that was used wholly or partly in the production of oil and gas and certain minerals. The incidental capture of fugitive oil, gas, and certain minerals during the temporary use of an offshore spill response containment system would not be considered production of those substances.

For the purposes of property taxes, CSHB 1712 would provide that once the exemption was allowed by a county, it need not be applied for in subsequent years.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

SUPPORTERS SAY:

CSHB 1712 would help Texas recruit an important company to the state, one whose sole purpose is to contain oil spills occurring in the deep waters of the Gulf of Mexico.

Following the Deepwater Horizon incident, the U.S. Department of Interior required that operators in the deepwater of Gulf of Mexico have access to and the ability to deploy well containment resources promptly to respond to a blowout or loss of well control.

The major oil companies formed a company, Marine Well Containment Company, through an investment of more than a $1 billion to jointly develop deepwater oil spill containment systems. The company has been offered tax exemptions from the state of Alabama.

CSHB 1712 would exempt important pollution control equipment from property taxes, such as those offered exemptions to businesses through the Texas Commission Environmental Quality's pollution equipment exemption program and also exempt the company from sales and use taxes to match the tax exemption provided by Alabama.

Marine Well Containment has expressed an interest in locating in Ingelside in San Patricio County. San Patricio's tax base would not be negatively affected by the company since the property being located there is new. When the equipment is deployed in the case of an oil spill, it does become taxable for the period of deployment.

CSHB 1712 would provide the tax exemption framework to ensure that Texas could successfully compete for this company and the jobs it brings to the state. According to the Legislative Budget Board, the tax exemption offered would not have a significant impact to the state.

OPPONENTS

Texas, through CSHB 1712, would be participating in a classic race to the

SAY:

bottom. Companies pit states against each other in the hopes of extracting tax exemptions from them. These costly corporate subsidies result in lost tax dollars, and the services required to support new businesses end up being paid by the existing taxpayers in the state.