

BILL ANALYSIS

Senate Research Center

S.B. 1440
By: Wentworth
Finance
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As Filed

DIGEST

Currently, there are no tax breaks to oil and gas leases which show a sustained increase in production. Lower product wells have high production costs and smaller profits. This bill provides for a tax break for those oil and gas leases which show a sustained increase in production, creating an incentive for those operators to invest in production-enhancing activity.

PURPOSE

As proposed, S.B. 1440 provides for a tax break for those oil and gas leases which show a sustained increase in production creating an incentive for those operators to invest in production-enhancing activity.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Railroad Commission of Texas in SECTION 2 (Section 202.057(e), Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 201.058, Chapter 201B, Tax Code, to require certain operators increasing production by marketing gas from an oil well or lease that has been flared for 12 months or more, pursuant to the rules of the Railroad Commission of Texas, to be entitled to an exemption from tax imposed by this chapter. Makes a conforming change.

SECTION 2. Amends Chapter 202B, Tax Code, by adding Section 202.057, as follows:

Sec. 202.057. TAX CREDIT FOR INCREMENTAL PRODUCTION TECHNIQUES. Defines "baseline production," "commission," "incremental production," "incremental production techniques," "incremental ratio," "qualifying lease," and "qualified incremental production." Provides that an operator of a qualifying lease is entitled to a 50 percent tax exemption on that lease's qualified incremental production for five years provided that certain provisions are met. Requires this section to be suspended if certain provisions are met. Sets forth requirements for receiving a credit against taxes imposed by this chapter. Requires the Railroad Commission of Texas to adopt rules necessary to administer this section.

SECTION 3. Effective date: September 1, 1997.

SECTION 4. Emergency clause.