

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 290
By: Brown
Finance
2/3/1999
Committee Report (Substituted)

DIGEST

Currently, Texas law requires the State of Texas to collect severance taxes on each barrel of oil and each mcf (thousand cubic feet) of gas produced in the state. This bill would keep oil and gas producers from having to abandon "stripper wells" producing minimal amounts of oil or gas, and temporarily waive the severance tax on oil or gas produced from a qualifying lease.

PURPOSE

As proposed, S.B. 290 temporarily waives the severance tax imposed on certain oil and gas produced from wells under certain market conditions.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 201B, Tax Code, by adding Section 201.059, as follows:

Sec. 201.059. TEMPORARY EXEMPTION FOR GAS FROM CERTAIN WELLS UNDER CERTAIN MARKET CONDITIONS. (a) Defines "commission," "mcf," and "qualifying lease."

(b) Requires the comptroller to certify the dates that the monthly average closing price of gas is below \$1.80 per MMBtu, as recorded on the New York Mercantile Exchange (NYMEX), for three consecutive months. Requires the comptroller to perform the first certification determination under this subsection for the three-month period beginning on November 1, 1998.

(c) Exempts gas produced from a qualifying lease on or after February 1, 1999, and before August 1, 1999, from the severance tax imposed by this chapter for each calendar month succeeding a three-month period certified by the comptroller under Subsection (b).

(d) Requires a person filing a report under this chapter to include the amount of gas purchased or produced during the period covered by the report that is exempt under this section.

(e) Provides that if the tax is paid on gas exempt under this section at the full rate provided by Section 201.052(a) or (b), the person paying the tax is entitled to a credit against taxes imposed by this chapter for the amount paid. Requires a person to apply to the comptroller for credit no later than the expiration of the applicable period for filing a tax refund under Section 111.104, to receive the credit.

(f) Provides that this section expires on the earlier of September 1, 1999, or the last day of the month in which the total taxes exempted under this section and Section 202.060 equal \$45 million. Requires the comptroller to make a monthly determination of the total taxes that have been exempted under this section and Section 202.060, beginning March 1, 1999. Requires the comptroller to certify the month in which this will occur and to prorate the amount of the

exemption for the month, if the comptroller determines that the total taxes exempted under this section and Section 202.060 will exceed \$45 million.

(g) Requires the comptroller to publish certifications under this section in the Texas Register.

SECTION 2. Amends Chapter 202B, Tax Code, by adding Section 202.060, as follows:

Sec. 202.060. TEMPORARY EXEMPTION FOR OIL FROM CERTAIN WELLS UNDER CERTAIN MARKET CONDITIONS. (a) Defines “commission” and “qualifying lease.”

(b) Requires the comptroller to certify the dates that the monthly average closing price of West Texas Intermediate crude oil is below \$15 per barrel, as recorded on the NYMEX, for three consecutive months. Requires the comptroller to perform the first certification determination under this subsection for the three-month period beginning on November 1, 1998.

(c) Exempts oil produced from a qualifying lease on or after February 1, 1999, and before August 1, 1999, from the severance tax imposed by this chapter for each calendar month succeeding a three-month period certified by the comptroller.

(d) Requires a person filing a report under this chapter to include the number of barrels of oil purchased or produced during the period covered by the report that are exempt under this section.

(e) Provides that a person paying the tax is entitled to a credit against taxes imposed by this chapter for the amount paid, if the tax is paid on a barrel of oil exempt under this section at the full rate provided by Section 202.052(a) or (b). Requires a person to apply to the comptroller for the credit no later than the expiration of the applicable period for filing a tax refund under Section 111.104, to receive credit.

(f) Provides that this section expires on the earlier of September 1, 1999 or the last day of the month in which the total taxes exempted under this section and Section 201.059 equal \$45 million. Requires the comptroller to make a monthly determination of the total taxes exempted under this section and Section 201.059, beginning March 1, 1999. Requires the comptroller to certify the month in which this will occur and to prorate the amount of the exemption for that month, if the comptroller determines that the total taxes exempted under this section and Section 201.059 will exceed \$45 million.

(g) Requires the comptroller to publish certifications under this section in the Texas Register.

SECTION 3. Emergency clause.

Effective date: upon passage.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Section 201.059, Tax Code, to redefine “qualifying lease.” Provides that gas produced from a qualifying lease, rather than qualifying well, or from a qualifying lease under Section 202.060, is exempt from a severance tax. Deletes Subsection (h).

SECTION 2.

Amends Section 202.060, Tax Code, to redefine “qualifying lease.” Deletes Subsection (h).