

BILL ANALYSIS

Senate Research Center
CSSB344 DAK

C.S.S.B. 344
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Finance
4/23/2001
Committee Report (Substituted)

DIGEST AND PURPOSE

Currently, state law requires the state to collect severance taxes for each barrel of oil and each Mcf (thousand cubic feet) of natural gas produced in the state. C.S.S.B. 344 implements a sliding scale for the collection of crude oil and natural gas severance taxes.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

ARTICLE 1

SECTION 1.01. Amends Section 201.052, Tax Code, to require the comptroller to certify the average closing cost of gas, as recorded on the New York Mercantile Exchange (NYMEX), for the previous three months. Requires the comptroller to publish certifications under this subsection in the Texas Register. Provides the tax imposed by this chapter on gas produced and saved during a particular month is at the rate of certain valuations.

(c) Provides that if the tax is paid on gas at a higher rate than required by Subsection (a), the person paying the tax is entitled to a credit against taxes imposed by this chapter for the amount overpaid. Requires the person, to receive the credit, to apply to the comptroller for the credit not later than the expiration of the applicable period for filing a tax refund under Section 111.104.

SECTION 1.02. Amends Chapter 201B, Tax Code, by adding Section 201.0525 as follows:

Sec. 201.0525. TAX CREDIT FOR CERTAIN TAX PAYMENTS. (a) Provides that a person paying a tax under this chapter during the period beginning on September 1, 2001, and ending on August 31, 2004, is entitled to a credit against taxed imposed by this chapter in an amount equal to the difference between certain tax amounts.

(b) Requires a person, in order to receive a credit, to apply to the comptroller for the credit on or after September 1, 2004, and not later than the expiration of the applicable period for filing a tax refund under Section 111.104.

SECTION 1.03. Amends Section 202.052, Tax Code, by requiring the comptroller to certify each month the average closing cost of West Texas Intermediate crude oil, as recorded on the NYMEX, for the previous three months. Requires the comptroller to publish certifications under this subsection in the Texas Register. Provides that the tax imposed by this chapter on oil produced in this state during a particular month is at the rate of certain valuations.

(b) Provides that for oil produced in this state from a new or expanded enhanced recovery project that qualifies under Section 202.054 of this code, the rate of the tax imposed by this chapter is one-half of the applicable rate prescribed by Subsection (a). Deletes language regarding 2.3 percent of the market value of the oil.

(d) Makes a conforming change.

SECTION 1.04. Amends Chapter 202B, Tax Code by adding Section 202.0525, to make a conforming change.

(b) Makes a conforming change.

SECTION 1.05. (a) Provides that Sections 1.01-1.04 of this Act take effect September 1, 2004. Provides that this section takes effect September 1, 2001.

(b) Requires the comptroller, beginning on September 1, 2001, to monitor market prices to determine the validity of any credit applications submitted under Sections 201.0525 and 202.0525, Tax Code, as added by this Act.

(c) Requires the comptroller, as soon as practicable after the effective date of Sections 1.01-1.04 of this Act, to perform the initial certification determination required by Sections 201.052 and 202.052, Tax Code, as amended by this Act. Requires the initial certification determination to cover the three-month period beginning on June 1, 2004.

(d) Makes application of this Act prospective.

ARTICLE 2

SECTION 2.01. Amends Section 201.052, Tax Code, to provide that the tax imposed by this chapter is at the rate of 7.5 percent of the market value of gas produced and saved in this state by the producer.

(b) Provides that the minimum tax rate on sweet and sour gas produced and saved in this state is 121/1,500 of one cent for each 1,000 cubic feet.

SECTION 2.02. Amends Section 202.052, Tax Code, to provide that the tax imposed by this chapter is at the rate of 4.6 percent of the market value of oil produced in this state or 4.6 cents for each barrel of 42 standard gallons of oil produced in this state, whichever rate results in the greater amount of tax.

(b) Provides that for oil produced in this state from a new or expanded enhanced recovery project that qualifies under section 202.054 of this code, the rate of the tax imposed by this chapter is 2.3 percent of the market value of the oil.

(c) Provides that the exemptions described by Sections 202.056 and 202.059 apply to oil produced in this state from a well that qualifies under Section 202.056 or 202.059, subject to the certifications and approvals required by those sections.

SECTION 2.03. Provides that this article takes effect September 1, 2006, and applies to gas and oil produced on or after that date. Makes application of this Act prospective.

(b) Provides that the change in law made by this article does not affect tax liability accruing before the effective date of this article. Provides that liability continues in effect as if this article been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.01. Amends As Filed S.B. 344 by adding ARTICLE 1 and renumbering SECTION 1 to SECTION 1.01.

SECTION 1.02. Amends As Filed S.B. 344 by adding SECTION 1.02.

SECTION 1.03. Amends As Filed S.B. 344 by adding SECTION 1.03.

SECTION 1.04. Amends As Filed S.B. 344 by adding SECTION 1.04.

SECTION 1.05. Amends As Filed S.B. 344 by adding SECTION 1.05.

SECTION 2.01. Amends As Filed S.B. 344 by adding ARTICLE 2 and SECTION 2.01.

SECTION 2.02. Amends As Filed S.B. 344 by adding SECTION 2.02.