

BILL ANALYSIS

Senate Research Center
80R10112 JD-D

S.B. 1162
By: Estes
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In the Barnett Shale area of North Texas, it is common for a portable drilling rig (rig) to move from one taxing district to another taxing district throughout the year. When assessing property taxes on those rigs, current law requires property taxes to be paid to the taxing district where the rig is located on January 1 only if the rig was in that taxing district for the preceding 365 consecutive days. If the rig has not been in a taxing district for the required period of time, then the taxes are paid to the taxing district of the owner's principal place of business in this state, therefore directing tax revenue away from the taxing districts where the rigs are actually located.

As proposed, S.B. 1162 requires tangible personal property taxes to be paid on portable drilling rigs to the taxing district where those rigs are located on January 1, provided the rig was located in that taxing unit for the preceding 10 consecutive days.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 21.02(a), Tax Code, as follows:

(a) Deletes existing text providing that Subsection (c) is an exception to this subsection. Provides that Section 21.022 is an exception to this subsection. Makes conforming changes.

SECTION 2. Amends Chapter 21, Tax Code, by adding Section 21.022, as follows:

Sec. 21.022. PORTABLE DRILLING RIGS. (a) Defines "portable drilling rig."

(b) Provides that a portable drilling rig designed for land-based oil or gas drilling or exploration operations is taxable by each taxing unit in which the rig is located on January 1 if the rig was located in the appraisal district that appraises property for the unit for the preceding 10 consecutive days. Provides that if the drilling rig was not located in the appraisal district where it is located on January 1 for the preceding 10 days, it is taxable by each taxing unit in which the owner's principal place of business in this state is located on January 1.

SECTION 3. Repealer: Section 21.02 (e) (relating to a portable drilling rig and the manner in which it is taxable), Tax Code.

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: January 1, 2008.