

By: Keffer of Eastland

H.B. No. 1766

A BILL TO BE ENTITLED

1

AN ACT

2 relating to exemptions from and reductions to the gas production
3 tax.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. The heading to Section 201.058, Tax Code, is
6 amended to read as follows:

7 Sec. 201.058. TAX EXEMPTIONS AND REDUCTIONS.

8 SECTION 2. Section 201.058, Tax Code, is amended by
9 amending Subsection (b) and adding Subsections (a-1), (c), and (d)
10 to read as follows:

11 (a-1) In this section, "commission" means the Railroad
12 Commission of Texas.

13 (b) Operators increasing production by marketing gas from
14 an oil well or lease that has been released into the air for six [~~12~~]
15 months or more pursuant to the rules of the commission shall be
16 entitled to an exemption from the tax imposed by this chapter on the
17 production resulting from the marketing of such gas for the life of
18 the well or lease.

19 (c) An operator that increases production by gathering and
20 marketing gas from a well or lease that has been released into the
21 air pursuant to the rules of the commission is entitled to an
22 exemption from the tax imposed by this chapter on the production
23 resulting from the marketing of the gas. The operator is entitled
24 to the exemption for the life of the well or lease.

1 (d) An operator that increases production by gathering and
2 marketing gas from a well or lease that is subject to release into
3 the air pursuant to the rules of the commission because of the
4 capital costs associated with gathering the gas is entitled to a
5 reduction of the tax imposed by this chapter on the production
6 resulting from the marketing of the gas. The operator is entitled
7 to the reduction of the tax for the first 120 consecutive calendar
8 months beginning on the first day of production, or until the
9 cumulative value of the tax reduction equals 75 percent of the
10 capital costs incurred for the gathering and marketing of the gas,
11 whichever occurs first.

12 SECTION 3. Section 201.058, Tax Code, as amended by this
13 Act, applies only to an operator that increases production by
14 marketing gas that is initially marketed on or after the effective
15 date of this Act. An operator that increases production by
16 marketing gas that is initially marketed before the effective date
17 of this Act is governed by the law in effect on the date the operator
18 began marketing the gas, and the former law is continued in effect
19 for that purpose.

20 SECTION 4. This Act takes effect September 1, 2005.