

By: West

H.B. No. 2983

Substitute the following for H.B. No. 2983:

By: Farabee

C.S.H.B. No. 2983

A BILL TO BE ENTITLED

AN ACT

relating to encouraging production from oil wells.

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

SECTION 1. Subchapter B, Chapter 202, Tax Code, is amended by adding Section 202.060 to read as follows:

Sec. 202.060. TAX CREDIT FOR ENHANCED EFFICIENCY EQUIPMENT.

(a) In this section, "enhanced efficiency equipment" means equipment used in the production of oil that reduces the energy used to produce a barrel of fluid by 10 percent or more when compared to commonly available alternative equipment. The term does not include a motor or downhole pump. Equipment does not qualify as enhanced efficiency equipment unless an institution of higher education approved by the comptroller that is located in this state and that has an accredited petroleum engineering program evaluated the equipment and determined that the equipment does produce the required energy reduction.

(b) The taxpayer responsible for the payment of severance taxes on the production from a well in this state on which enhanced efficiency equipment is installed and used is entitled to a credit in an amount equal to 20 percent of the cost of the equipment, provided that:

(1) the cumulative total of all severance tax credits authorized by this section may not exceed \$2,000 for any well;

(2) the enhanced efficiency equipment installed in a

1 qualifying well must have been purchased and installed not earlier
2 than September 1, 2005, or later than September 1, 2009;

3 (3) the taxpayer must file an application with the
4 comptroller for the credit and must demonstrate to the comptroller
5 that the enhanced efficiency equipment has been purchased and
6 installed in the well within the period prescribed by Subdivision
7 (2);

8 (4) the number of applications the comptroller may
9 approve each state fiscal year may not exceed a number equal to two
10 percent of the producing wells in this state on September 1 of that
11 state fiscal year, as determined by the comptroller; and

12 (5) the manufacturer of the enhanced efficiency
13 equipment must obtain an evaluation of the product under Subsection
14 (a).

15 (c) The taxpayer may carry any unused credit forward until
16 the credit is used.

17 SECTION 2. This Act takes effect September 1, 2005.