

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 3, 2005

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2983 by West, George "Buddy" (Relating to encouraging production from oil wells.),
Committee Report 1st House, Substituted

No significant fiscal implication to the State is anticipated.

The bill would create a new oil production tax credit incentive program under Section 202.060 of the Tax Code for taxpayers who use enhanced efficiency equipment in the production of oil.

The bill would define enhanced efficiency equipment as 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 equipment. The definition would specifically exclude motors or downhole pumps.

To qualify for the credit, the equipment would have to be evaluated—and the energy reduction verified—by a Texas institution of higher education, approved by the Comptroller, with an accredited petroleum engineering program.

The bill would provide a crude oil severance tax credit of up to 20 percent of the cost of the equipment, but not to exceed \$2,000 per well. A taxpayer would be allowed to carry a tax credit forward until fully redeemed.

The bill would require that the equipment be purchased and installed on or after September 1, 2005 and on or before September 1, 2009.

The bill would require a taxpayer to file an application with the Comptroller's Office with proof of purchase, installation, and efficiency savings.

The bill would limit the number of Comptroller-approved applications per state fiscal year to 2 percent of the producing oil wells on September 1 of that fiscal year.

The taxpayer could carry any unused tax credit forward until the credit is used.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JOB, WK, WP, MWI