

BILL ANALYSIS

C.S.H.B. 913
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

HB 3 (79th Legislature, 3rd called Special Session) changed the Tax Code to read that portable drilling rigs must be located in a county for 365 consecutive days, or they would be taxed in the county in which the company that owned them was based. Because of this change, counties in the Barnett Shale lost tax revenue. Historically, most drilling companies are based in the pan-handle of the state or the Houston area. With the explosion of drilling for gas exploration taking place currently in the Barnett Shale region, portable drilling rigs come and go often and are often in the region for the better part of the year. With the change in HB 3 (79th Legislature, 3rd called Special Session) if they are in a county in the Barnett Shale region for 364 days, and moved on the 365th day, that county would lose out on that tax revenue.

CSHB 913 would change the Tax Code to ensure that the counties where the rigs are being used are getting tax revenues from those rigs.

RULEMAKING AUTHORITY

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

ANALYSIS

CSHB 913 amends Chapter 21.02(e), Tax Code, by stating that if a portable drilling rig is located in the same appraisal district for 365 consecutive days, it is taxable in that appraisal district. If it is located in an appraisal district for less than 365 consecutive days, the company may choose to either render it in the appraisal district where their principal place of business is, or in the appraisal district where the rig is located on January 1st. If the owner decides to render it where the rig is located on January 1st, all of their portable drilling rigs will be taxed in the appraisal districts where they are located on January 1st.

CSHB 913 applies only to a tax year that begins on or after the effective date of this bill.

EFFECTIVE DATE

January 1, 2008.

COMPARISON OF ORIGINAL TO SUBSTITUTE

CSHB 913 changes the language of the bill to say that if a portable drilling rig is located in the same appraisal district for 365 consecutive days, it is taxable in that appraisal district. If it is located in an appraisal district for less than 365 consecutive days, the company may choose to either render it in the appraisal district where their principal place of business is, or in the appraisal district where the rig is located on January 1st. If the owner decides to render it where the rig is located on January 1st, all of their portable drilling rigs will be taxed in the appraisal districts where they are located on January 1st. The original stated that the rig was taxable in the appraisal district in which it was located for the longest period of time during the preceding year.