

BILL ANALYSIS

S.B. 1173
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, a tax credit exists for oil well producers implementing the use of "enhanced efficiency equipment." Known enhanced energy equipment includes fiberglass "sucker" rods that are lighter and thus require less energy to operate than more common steel rods.

By law, only one percent of marginal oil wells, those producing 10 barrels per day or less, are currently eligible for the tax credit. The tax credit is currently set at 10 percent of the cost of the equipment, not to exceed \$1,000 per well.

As proposed, S.B. 1173 extends the tax credit to 2013, from 2009. The tax credit is still limited to one percent of all qualified marginal wells.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

The bill amends Section 202.061(b), Tax Code, as follows:

(b) Entitles a taxpayer responsible for the payment of severance taxes on the production from a marginal well in this state on which enhanced efficiency equipment is installed and used to a credit in an amount equal 10 percent of the cost of the equipment, provided that equipment was purchased and installed not earlier than September 1, 2005, or later than September 1, 2013, rather than 2009.

The bill states an effective date: September 1, 2007.

EFFECTIVE DATE

September 1, 2007.