BILL ANALYSIS

Senate Research Center
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S.B. 1173
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Natural Resources
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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 authorizes the tax credit to apply to wells that produce up to 25 barrels of oil per day, and increases the credit amount from 10 percent to 20 percent of the cost of the equipment, but not to exceed $5,000 per well. However, the tax credit is still limited to one percent of all qualified wells.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 202.061, Tax Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

> (a) Makes a nonsubstantive change.
>
> (a-1) Deletes existing text defining "marginal well" and provides that this section applies only to an oil well that produces 25, rather than 10, barrels of oil or less per day on average during a month. Makes a conforming change.

SECTION 2. 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 well, rather that a marginal well, in this state, on which enhanced efficiency equipment is installed and used, to a credit in an amount equal to 20 percent, rather than 10 percent, of the cost of the equipment. Prohibits the cumulative total of all severance tax credits authorized by this section from exceeding $5,000, rather than $1,000, for any well. Requires the enhanced efficiency equipment installed in a qualifying will to have been purchased and installed not earlier than September 1, 2005, or later than September 1, 2013, rather than 2009. Prohibits the number of applications the comptroller of public accounts (comptroller) may approve each state fiscal year from exceeding a number equal to one percent of the producing wells in this state to which this section applies on September 1 of that state fiscal year, as determined by the comptroller. Makes conforming changes.

SECTION 3. Effective date: September 1, 2007.