

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 6, 2007

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

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

IN RE: HB913 by King, Phil (Relating to the ad valorem tax situs of certain portable drilling rigs.),
As Introduced

No significant fiscal implication to the State is anticipated.

The bill would add Section 21.022 to Chapter 21 of the Tax Code to define "more than a temporary period" for purposes of establishing the taxable situs (location) of portable drilling rigs.

Under the bill, a portable drilling rig would be considered to be located on January 1 for more than a temporary period in the taxing unit in which the drilling rig was located during the preceding tax year.

Were the rig was to be located in more than one taxing unit during the preceding tax year, the rig would be considered to be located for more than a temporary period in the taxing unit in which the rig was located for the longest period during the preceding tax year, or 30 days, whichever was longer. Rigs not considered to be located in any taxing unit on January 1 for more than a temporary period would be taxable based on existing situs criteria in Section 21.02 of the Tax Code.

The bill would repeal Section 21.02(e) of the Tax Code, which currently determines the taxable situs of portable drilling rigs. Current law provides that a portable drilling rig is taxable by a taxing unit in which the drilling rig is located on January 1, if the rig were located in the appraisal district that appraised property for the unit for the preceding 365 days. If the drilling rig were not located in the appraisal district for the preceding 365 days, the rig is taxable at the owner's principal place of business.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Passage of this bill would, in some circumstances, change the taxable situs of portable drilling rigs. Revenue currently collected by some taxing units would be collected by other taxing units.

The bill would take effect January 1, 2008.

Local Government Impact

Passage of this bill would, in some circumstances, change the taxable situs of portable drilling rigs. Revenue currently collected by some taxing units would be collected by other taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS