LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 24, 2007

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

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

IN RE: **HB2394** by Crownover (Relating to the tax credit for enhanced efficiency equipment installed on certain wells.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2394, As Introduced: a negative impact of ($2,048,000) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	($683,000)
2009	($1,365,000)
2010	($1,365,000)
2011	($1,365,000)
2012	($1,365,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/(Loss) from *FOUNDATION SCHOOL FUND* 193	Probable Revenue Gain/(Loss) from *ECONOMIC STABILIZATION FUND* 599
2008	($512,000)	($171,000)	($2,049,000)
2009	($1,024,000)	($341,000)	($4,098,000)
2010	($1,024,000)	($341,000)	($4,098,000)
2011	($1,024,000)	($341,000)	($4,098,000)
2012	($1,024,000)	($341,000)	($4,098,000)

Fiscal Analysis

The bill would amend Section 202.061 of the Tax Code relating to the tax credit for enhanced efficiency equipment installed on certain oil wells.

The bill would expand the qualifying production rate for an oil well from 10 barrels of oil per day (BOPD) or less to 25 BOPD or less and increase the tax credit from 10 percent of the cost of the equipment, capped at $1,000 per well, to 20 percent of the cost of equipment, capped at $5,000 per well.

The bill would add four more years to the qualifying period by advancing the expiration date of the tax credit from September 1, 2009 to September 1, 2013.

The bill would take effect September 1, 2007.

Methodology

This fiscal note is based upon analyses provided by the Comptroller's Office.

The estimated fiscal impact was based on Texas Railroad Commission data on producing oil well counts with reported well depths. It was assumed that the tax credit would have a much greater impact on wells producing between 10 and 25 BOPD versus wells producing 10 BOPD or less. There were only seven approved applications since fiscal 2006. It is expected that the maximum threshold of 1 percent of producing oil wells in Texas would be reached after an initial time lag in the first fiscal year, to remain at that level thereafter.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

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

LBB Staff: JOB, SD, CT, WK