LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 1, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: **SB1477** by Seliger (Relating to the continuation of certain severance tax credits for certain low-producing wells.), **As Introduced**

No fiscal implication to the State is anticipated.

This analysis is based upon information provided by the Comptroller's Office.

This bill would repeal Section 201.059(g) of the Tax Code, which sets a September 1, 2007 expiration date for the severance tax incentive program for low-producing gas wells when a conditional gas price trigger is met.

The bill would repeal section 202.058(g) of the Tax Code, regarding the low-producing oil well tax credit reimbursement when taxes are paid at the full rate but due at a lesser rate.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

The bill would repeal the expiration date for the low-producing natural gas well severance tax incentive without changing the existing price triggers.

The Comptroller's 2008-09 Biennial Revenue Estimate of projected crude oil and natural gas prices was used to determine if the conditional price triggers would be met. Because the projected crude oil and natural gas prices would not trigger the price conditions for an incentive, no fiscal impact would occur.

The repeal of Tax Code Section 202.058(g) would have no fiscal impact because this section provides the reimbursement of overpaid severance taxes on oil production from qualified low-producing oil wells.

Note: It appears that the intent was to repeal Section 202.058(h) to remove the expiration date of the low-producing oil well severance tax incentive. If it was the intention to repeal Tax Code Section 202.058(h) instead of Section 203.058(g), that repeal would have no fiscal impact, because the current oil price estimates are not projected to reach the statutory oil price triggers over the five-year projection period.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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