

## **BILL ANALYSIS**

Senate Research Center

H.B. 4433  
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Finance  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

There is great potential for renewable energy to be produced from underground heat in Texas, and some Texas businesses are already taking advantage of this situation to produce geothermal energy. Under current law, however, producers of geothermal energy are subject to oil and gas severance taxes because oil and natural gas may be incidentally produced during the production of geothermal energy.

H.B. 4433 provides an incentive for geothermal energy production by exempting oil and natural gas incidentally produced in the production of geothermal energy from oil and gas severance taxes, respectively. Additionally, it renews the temporary severance tax credit's expiration for another 10 years. This applies to the returning of any oil and gas wells that have been inactive for at least two years.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 202.056, Tax Code, by amending Subsections (c) and (d) and adding Subsection (d-1), as follows:

(c) Prohibits the Railroad Commission of Texas (railroad commission) from designating a two-year inactive well under this section after February 28, 2020, rather than 2010.

(d) Requires that an application for two-year inactive well certification be made during the period September 1, 1997, through August 31, 2019, rather than 2009, to qualify for the tax exemption under this section.

(d-1) Requires the comptroller of public accounts (comptroller) to certify the first date on which the prices of oil and gas have been at or below the respective prices described by Section 171.1011(s) (relating to requiring the comptroller to certify dates during which the monthly average closing price of West Texas Intermediate crude oil is below \$40 per barrel and the average closing price of gas is below \$5 per MMBtu) for three continuous months. Authorizes the railroad commission to issue a certificate under Subsection (c) only if the application for certification is received by the railroad commission not later than the 90th day after the date the comptroller makes the certification under this subsection.

SECTION 2. Amends Subchapter B, Chapter 201, Tax Code, by adding Section 201.060, as follows:

Sec. 201.060. EXEMPTION FOR GAS INCIDENTALLY PRODUCED IN PRODUCTION OF GEOTHERMAL ENERGY. Provides that gas incidentally produced in the production of geothermal energy is exempt from the severance tax imposed by this chapter.

SECTION 3. Amends Subchapter B, Chapter 202, Tax Code, by adding Section 202.062, as follows:

Sec. 202.062. EXEMPTION FOR OIL INCIDENTALLY PRODUCED IN PRODUCTION OF GEOTHERMAL ENERGY. Provides that oil incidentally produced in the production of geothermal energy is exempt from the severance tax imposed by this chapter.

SECTION 4. Prohibits the comptroller, for the purpose of making a certification under Section 202.056(d-1), Tax Code, as added by this Act, from considering the price of oil on dates before October 1, 2009.

SECTION 5. Makes application of Sections 201.060 and 202.062, Tax Code, as added by this Act, prospective.

SECTION 6. Effective date: September 1, 2009.