

By: Merritt

H.B. No. 3332

A BILL TO BE ENTITLED

1 AN ACT
2 relating to an exemption from the oil severance tax for oil produced
3 from certain low-producing wells.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Subchapter B, Chapter 202, Tax Code, is amended
6 by adding Section 202.0585 to read as follows:

7 Sec. 202.0585. EXEMPTION FOR OIL FROM LOW-PRODUCING WELL.

8 (a) In this section:

9 (1) "Commission" means the Railroad Commission of
10 Texas.

11 (2) "Low-producing well" means a well classified as an
12 oil well whose production during a calendar year is less than 15
13 barrels of oil per day of production.

14 (b) Oil produced from a low-producing well is exempted from
15 the tax imposed by this chapter as provided by this section.

16 (c) An operator of a well may submit an application to the
17 commission for certification of a well as a low-producing well. The
18 commission may require the applicant to provide the commission with
19 any relevant information required to certify the well. The
20 commission shall issue a certificate to each operator of the well.
21 The certificate must:

22 (1) identify the well; and

23 (2) state the date the tax exemption takes effect,
24 subject to the comptroller's approval of the exemption under

1 Subsection (g).

2 (d) The commission shall provide to the comptroller a copy
3 of a certificate of exemption for each well qualifying under this
4 section.

5 (e) The commission may revoke a certificate relating to a
6 well if the commission receives information indicating that the
7 well was not eligible for certification at the time the commission
8 issued the certificate or if the well no longer qualifies as a
9 low-producing well. The commission shall notify the operator and
10 the comptroller that a certificate has been revoked. A tax
11 exemption granted under this section is automatically revoked on
12 the date the certificate is revoked, and oil produced from the well
13 after the date of revocation is not eligible for the tax exemption.

14 (f) The commission may adopt and enforce any rules or orders
15 that the commission finds necessary to administer this section.

16 (g) To qualify for the tax exemption, the person responsible
17 for paying the tax must apply to the comptroller for the exemption
18 and include with the application the certificate issued by the
19 commission under Subsection (c). The comptroller shall approve the
20 application if the person submits the certificate and the
21 comptroller determines that the oil produced from the well is
22 otherwise eligible for the exemption. The comptroller may require
23 a person applying for the tax exemption to provide any relevant
24 information necessary to administer this section. The comptroller
25 may establish procedures to comply with this subsection and
26 Subsection (h).

27 (h) If the tax is paid at the full rate provided by this

1 chapter on oil produced on or after the date the commission
2 certifies the well for a tax exemption but before the date the
3 comptroller approves the application for the tax exemption, the
4 operator is entitled to a credit on taxes due under this chapter in
5 the amount equal to the tax paid during that period. To receive a
6 credit, the operator must apply to the comptroller for the credit
7 not later than the first anniversary of the date the commission
8 certifies the well for a tax exemption.

9 (i) A person is subject to the penalties that may be imposed
10 under Chapters 85 and 91, Natural Resources Code, if the person
11 makes and submits to the commission or comptroller an application,
12 report, or other document used or intended to be used for a
13 certificate, tax exemption, or tax credit under this section and
14 the person knows that the application, report, or other document
15 contains a false or untrue material fact.

16 (j) A person is liable to this state for a civil penalty if
17 the person, after receiving notice from the commission that the
18 person's tax exemption certificate for a well has been revoked,
19 applies or attempts to receive the tax exemption for oil produced
20 from the well under the revoked certificate. The amount of the
21 penalty may not exceed the sum of:

22 (1) \$10,000; and

23 (2) the difference between the amount of taxes paid or
24 attempted to be paid and the amount of taxes due.

25 (k) The attorney general may recover a penalty under
26 Subsection (j) in a suit brought on behalf of this state. Venue for
27 the suit is in Travis County.

1 SECTION 2. The change in law made by this Act does not
2 affect tax liability accruing before the effective date of this
3 Act. That liability continues in effect as if this Act had not been
4 enacted, and the former law is continued in effect for the
5 collection of taxes due and for civil and criminal enforcement of
6 the liability for those taxes.

7 SECTION 3. This Act takes effect January 1, 2010.