

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 21, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: HB4166 by Callegari (Relating to the provision of severance tax credits and exemptions and other incentives and procedures for producing oil from certain wells.), **As Introduced**

Passage of the bill could result in a loss to the General Revenue Fund in severance tax revenues. The loss would depend on the number of wells to which the resuse of reclaimed water production method tax credit established by the bill might be applied.

The bill would establish a fifty cent per barrel severance tax credit for oil production where oil is produced by hydraulic fracturing, and the oil producer pays a third party to process contaminated produced water so that it may be reclaimed. The bill requires the Texas Commission on Environmental Quality (TCEQ) to establish rules that govern the oversight and approval of water reclamation programs that result in severance tax credits. The bill, if enacted, would expire at the end of two years after the date it takes effect.

Although the bill's passage could result in some costs to the TCEQ and Railroad Commission, these costs are not expected to be significant.

The Comptroller of Public Accounts reports that passage of the bill could result in some producers receiving a tax credit, hich would be available for two years from the bill's effective date, for taxpayers who use a patented method to reuse reclaimed water in oil production. This could result in a loss to the General Revenue Fund for severance tax revenues. The loss would depend on the number of wells to which the resuse of reclaimed water production method might be applied.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission, 582 Commission on Environmental Quality

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