

## **BILL ANALYSIS**

Senate Research Center  
83R24169 SMH-F

H.B. 1712  
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Finance  
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Engrossed

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

After the Deepwater Horizon/Macondo oil spill and the subsequent moratorium of drilling in the Gulf of Mexico, 10 oil companies joined together to form Marine Well Containment Company (MWCC). MWCC organized to acquire and provide rapid containment response expertise, training, and capabilities including subsea equipment such as risers, dispersant and hydraulic manifolds, and a capping stack in the event of a blowout or other loss of well control resulting in an underwater oil spill in the Gulf of Mexico. While current law authorizes property tax exemptions for pollution control equipment, the statute may not cover equipment held for a future event and by an entity that provides multiple member companies access to the equipment to meet federal pollution control rules.

H.B. 1712 amends current law relating to an exemption from ad valorem and sales and use taxes for property used in connection with an offshore spill response containment system.

### **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 11.271, Tax Code, as follows:

Sec. 11.271. OFFSHORE DRILLING EQUIPMENT NOT IN USE. (a) Defines "environmental protection agency of the United States," "offshore spill response containment system," and "rules or regulations adopted by any environmental protection agency of the United States" in this section.

(b) Creates this subsection from existing text and makes no further change to this subsection.

(c) Entitles a person to an exemption from taxation of the personal property the person owns or leases that is used, constructed, acquired, stored, or installed solely as part of an offshore spill response containment system, or that is used solely for the development, improvement, storage, deployment, repair, maintenance, or testing of such a system, if the system is being stored while not in use in a county bordering on the Gulf of Mexico or on a bay or other body of water immediately adjacent to the Gulf of Mexico. Provides that property described by this subsection and not used for any other purpose is considered to be property used wholly as an integral part of mobile or marine drilling equipment designed for offshore drilling of oil or gas wells.

(d) Provides that Subsection (c) does not apply to personal property used, wholly or partly, for the exploration for or production of oil, gas, sulfur, or other minerals, including the equipment, piping, casing, and other components of an oil or gas well. Provides that the offshore capture of fugitive oil, gas, sulfur, or other minerals that is entirely incidental to the property's temporary use as an offshore

spill response containment system, for purposes of this subsection, is not considered to be production of those substances.

(e) Provides that Subsection (c) does not apply to personal property that was used, constructed, acquired, stored, or installed in this state on or before January 1, 2013.

(f) Requires the person owning or leasing the property, to qualify for an exemption under Subsection (c), to be an entity formed primarily for the purpose of designing, developing, modifying, enhancing, assembling, operating, deploying, and maintaining an offshore spill response containment system. Prohibits a person from qualifying for the exemption by providing services to or for an offshore spill response containment system that the person does not own or lease.

SECTION 2. Amends Section 11.43(c), Tax Code, to include Section 11.271 in the list of exemptions that, once allowed, need not be claimed in subsequent years, and provide that except as otherwise provided by Subsection (e) (relating to prohibiting a person from receiving certain exemptions if the person fails to timely file a completed application form for the exemption), the exemption applies to the property until it changes ownership or the person's qualification for the exemption changes.

SECTION 3. Amends Subchapter H, Chapter 151, Tax Code, by adding Section 151.356, as follows:

Sec. 151.356. OFFSHORE SPILL RESPONSE CONTAINMENT PROPERTY. (a) Defines "offshore spill response containment property" in this section.

(b) Provides that this section does not apply to an item used, wholly or partly, for the exploration for or production of oil, gas, sulfur, or other minerals, including the equipment, piping, casing, and other components of an oil or gas well. Provides that the offshore capture of fugitive oil, gas, sulfur, or other minerals that is entirely incidental to the item's temporary use as an offshore spill response containment system, for purposes of this subsection, is not considered to be production of those substances.

(c) Exempts the sale, lease, rental, storage, use, or other consumption by an entity described by Section 11.271(f) of offshore spill response containment property used solely for the purposes described by Section 11.271(c) and this section from the taxes imposed by this chapter (Limited Sales, Excise, and Use Tax).

(d) Exempts a service performed exclusively on offshore spill response containment property from the taxes imposed by this chapter.

SECTION 4. Provides that Section 11.271, Tax Code, as amended by this Act, applies only to an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 5. Provides that Section 151.356, Tax Code, as added by this Act, does not affect tax liability accruing before the effective date of this Act. Provides that that liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 6. Effective date: upon passage or September 1, 2013.