

By: Lozano, Villalba

H.B. No. 1712

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from ad valorem and sales and use taxes for property used in connection with an offshore spill response containment system.

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

SECTION 1. Section 11.271, Tax Code, is amended to read as follows:

Sec. 11.271. OFFSHORE DRILLING EQUIPMENT NOT IN USE. (a)

In this section:

(1) "Environmental protection agency of the United States" includes:

(A) the United States Department of the Interior and any agency, bureau, or other entity established in that department, including the Bureau of Safety and Environmental Enforcement and the Bureau of Ocean Energy Management, Regulation and Enforcement; and

(B) any other department, agency, bureau, or entity of the United States that prescribes rules or regulations described by Subdivision (2)(A).

(2) "Offshore spill response containment system" means a marine or mobile containment system that:

(A) is designed and used or intended to be used solely to implement a response plan that meets or exceeds rules or regulations adopted by any environmental protection agency of the

1 United States, this state, or a political subdivision of this state  
2 for the control, reduction, or monitoring of air, water, or land  
3 pollution in the event of a blowout or loss of control of an  
4 offshore well drilled or used for the exploration for or production  
5 of oil or gas;

6 (B) has a design capability to respond to a  
7 blowout or loss of control of an offshore well drilled or used for  
8 the exploration for or production of oil or gas that is drilled in  
9 more than 5,000 feet of water;

10 (C) is used or intended to be used solely to  
11 respond to a blowout or loss of control of an offshore well drilled  
12 or used for the exploration for or production of oil or gas without  
13 regard to the depth of the water in which the well is drilled; and

14 (D) except for any monitoring function for which  
15 the system may be used, is used or intended to be used as a temporary  
16 measure to address fugitive oil, gas, sulfur, or other minerals  
17 after a leak has occurred and is not used or intended to be used  
18 after the leak has been contained as a continuing means of producing  
19 oil, gas, sulfur, or other minerals.

20 (3) "Rules or regulations adopted by any environmental  
21 protection agency of the United States" includes 30 C.F.R. Part 254  
22 and any corresponding provision or provisions of succeeding,  
23 similar, substitute, proposed, or final federal regulations.

24 (b) An owner or lessee of a marine or mobile drilling unit  
25 designed for offshore drilling of oil or gas wells is entitled to an  
26 exemption from taxation of the drilling unit if the drilling unit:

27 (1) is being stored in a county bordering on the Gulf

1 of Mexico or on a bay or other body of water immediately adjacent to  
2 the Gulf of Mexico;

3 (2) is not being stored for the sole purpose of repair  
4 or maintenance; and

5 (3) is not being used to drill a well at the location  
6 at which it is being stored.

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

19 (d) Subsection (c) does not apply to personal property used,  
20 wholly or partly, for the exploration for or production of oil, gas,  
21 sulfur, or other minerals, including the equipment, piping, casing,  
22 and other components of an oil or gas well. For purposes of this  
23 subsection, the offshore capture of fugitive oil, gas, sulfur, or  
24 other minerals that is entirely incidental to the property's  
25 temporary use as an offshore spill response containment system is  
26 not considered to be production of those substances.

27 (e) Subsection (c) does not apply to personal property that

1 was used, constructed, acquired, stored, or installed in this state  
2 on or before January 1, 2013.

3 (f) To qualify for an exemption under Subsection (c), the  
4 person owning or leasing the property must be an entity formed  
5 primarily for the purpose of designing, developing, modifying,  
6 enhancing, assembling, operating, deploying, and maintaining an  
7 offshore spill response containment system. A person may not  
8 qualify for the exemption by providing services to or for an  
9 offshore spill response containment system that the person does not  
10 own or lease.

11 SECTION 2. Section 11.43(c), Tax Code, is amended to read as  
12 follows:

13 (c) An exemption provided by Section 11.13, 11.131, 11.17,  
14 11.18, 11.182, 11.1827, 11.183, 11.19, 11.20, 11.21, 11.22,  
15 11.23(h), (j), or (j-1), 11.231, 11.254, 11.271, 11.29, 11.30, or  
16 11.31, once allowed, need not be claimed in subsequent years, and  
17 except as otherwise provided by Subsection (e), the exemption  
18 applies to the property until it changes ownership or the person's  
19 qualification for the exemption changes. However, the chief  
20 appraiser may require a person allowed one of the exemptions in a  
21 prior year to file a new application to confirm the person's current  
22 qualification for the exemption by delivering a written notice that  
23 a new application is required, accompanied by an appropriate  
24 application form, to the person previously allowed the exemption.

25 SECTION 3. Subchapter H, Chapter 151, Tax Code, is amended  
26 by adding Section 151.356 to read as follows:

27 Sec. 151.356. OFFSHORE SPILL RESPONSE CONTAINMENT

1 PROPERTY. (a) In this section, "offshore spill response  
2 containment property" means tangible personal property:

3 (1) described by Section 11.271(c);

4 (2) owned or leased by an entity described by Section  
5 11.271(f); and

6 (3) used or intended to be used solely in an offshore  
7 spill response containment system as defined by Section 11.271(a).

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

16 (c) The sale, lease, rental, storage, use, or other  
17 consumption by an entity described by Section 11.271(f) of offshore  
18 spill response containment property used solely for the purposes  
19 described by Section 11.271(c) and this section is exempted from  
20 the taxes imposed by this chapter.

21 (d) A service performed exclusively on offshore spill  
22 response containment property is exempted from the taxes imposed by  
23 this chapter.

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

27 SECTION 5. Section 151.356, Tax Code, as added by this Act,

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

6 SECTION 6. This Act takes effect immediately if it receives  
7 a vote of two-thirds of all the members elected to each house, as  
8 provided by Section 39, Article III, Texas Constitution. If this  
9 Act does not receive the vote necessary for immediate effect, this  
10 Act takes effect September 1, 2013.