

1-1 By: Lozano, Villalba (Senate Sponsor - Zaffirini) H.B. No. 1712
 1-2 (In the Senate - Received from the House May 10, 2013;
 1-3 May 10, 2013, read first time and referred to Committee on Finance;
 1-4 May 20, 2013, reported favorably by the following vote: Yea 14,
 1-5 Nays 0; May 20, 2013, sent to printer.)

1-6 COMMITTEE VOTE

| | Yea | Nay | Absent | PNV |
|------|-----|-----|--------|-----|
| 1-7 | | | | |
| 1-8 | X | | | |
| 1-9 | X | | | |
| 1-10 | X | | | |
| 1-11 | X | | | |
| 1-12 | X | | | |
| 1-13 | X | | | |
| 1-14 | X | | | |
| 1-15 | X | | | |
| 1-16 | X | | | |
| 1-17 | X | | | |
| 1-18 | X | | | |
| 1-19 | X | | | |
| 1-20 | | | X | |
| 1-21 | X | | | |
| 1-22 | X | | | |

1-23 A BILL TO BE ENTITLED
 1-24 AN ACT

1-25 relating to an exemption from ad valorem and sales and use taxes for
 1-26 property used in connection with an offshore spill response
 1-27 containment system.

1-28 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-29 SECTION 1. Section 11.271, Tax Code, is amended to read as
 1-30 follows:

1-31 Sec. 11.271. OFFSHORE DRILLING EQUIPMENT NOT IN USE. (a)
 1-32 In this section:

1-33 (1) "Environmental protection agency of the United
 1-34 States" includes:

1-35 (A) the United States Department of the Interior
 1-36 and any agency, bureau, or other entity established in that
 1-37 department, including the Bureau of Safety and Environmental
 1-38 Enforcement and the Bureau of Ocean Energy Management, Regulation
 1-39 and Enforcement; and

1-40 (B) any other department, agency, bureau, or
 1-41 entity of the United States that prescribes rules or regulations
 1-42 described by Subdivision (2)(A).

1-43 (2) "Offshore spill response containment system"
 1-44 means a marine or mobile containment system that:

1-45 (A) is designed and used or intended to be used
 1-46 solely to implement a response plan that meets or exceeds rules or
 1-47 regulations adopted by any environmental protection agency of the
 1-48 United States, this state, or a political subdivision of this state
 1-49 for the control, reduction, or monitoring of air, water, or land
 1-50 pollution in the event of a blowout or loss of control of an
 1-51 offshore well drilled or used for the exploration for or production
 1-52 of oil or gas;

1-53 (B) has a design capability to respond to a
 1-54 blowout or loss of control of an offshore well drilled or used for
 1-55 the exploration for or production of oil or gas that is drilled in
 1-56 more than 5,000 feet of water;

1-57 (C) is used or intended to be used solely to
 1-58 respond to a blowout or loss of control of an offshore well drilled
 1-59 or used for the exploration for or production of oil or gas without
 1-60 regard to the depth of the water in which the well is drilled; and

1-61 (D) except for any monitoring function for which

2-1 the system may be used, is used or intended to be used as a temporary
 2-2 measure to address fugitive oil, gas, sulfur, or other minerals
 2-3 after a leak has occurred and is not used or intended to be used
 2-4 after the leak has been contained as a continuing means of producing
 2-5 oil, gas, sulfur, or other minerals.

2-6 (3) "Rules or regulations adopted by any environmental
 2-7 protection agency of the United States" includes 30 C.F.R. Part 254
 2-8 and any corresponding provision or provisions of succeeding,
 2-9 similar, substitute, proposed, or final federal regulations.

2-10 (b) An owner or lessee of a marine or mobile drilling unit
 2-11 designed for offshore drilling of oil or gas wells is entitled to an
 2-12 exemption from taxation of the drilling unit if the drilling unit:

2-13 (1) is being stored in a county bordering on the Gulf
 2-14 of Mexico or on a bay or other body of water immediately adjacent to
 2-15 the Gulf of Mexico;

2-16 (2) is not being stored for the sole purpose of repair
 2-17 or maintenance; and

2-18 (3) is not being used to drill a well at the location
 2-19 at which it is being stored.

2-20 (c) A person is entitled to an exemption from taxation of
 2-21 the personal property the person owns or leases that is used,
 2-22 constructed, acquired, stored, or installed solely as part of an
 2-23 offshore spill response containment system, or that is used solely
 2-24 for the development, improvement, storage, deployment, repair,
 2-25 maintenance, or testing of such a system, if the system is being
 2-26 stored while not in use in a county bordering on the Gulf of Mexico
 2-27 or on a bay or other body of water immediately adjacent to the Gulf
 2-28 of Mexico. Property described by this subsection and not used for
 2-29 any other purpose is considered to be property used wholly as an
 2-30 integral part of mobile or marine drilling equipment designed for
 2-31 offshore drilling of oil or gas wells.

2-32 (d) Subsection (c) does not apply to personal property used,
 2-33 wholly or partly, for the exploration for or production of oil, gas,
 2-34 sulfur, or other minerals, including the equipment, piping, casing,
 2-35 and other components of an oil or gas well. For purposes of this
 2-36 subsection, the offshore capture of fugitive oil, gas, sulfur, or
 2-37 other minerals that is entirely incidental to the property's
 2-38 temporary use as an offshore spill response containment system is
 2-39 not considered to be production of those substances.

2-40 (e) Subsection (c) does not apply to personal property that
 2-41 was used, constructed, acquired, stored, or installed in this state
 2-42 on or before January 1, 2013.

2-43 (f) To qualify for an exemption under Subsection (c), the
 2-44 person owning or leasing the property must be an entity formed
 2-45 primarily for the purpose of designing, developing, modifying,
 2-46 enhancing, assembling, operating, deploying, and maintaining an
 2-47 offshore spill response containment system. A person may not
 2-48 qualify for the exemption by providing services to or for an
 2-49 offshore spill response containment system that the person does not
 2-50 own or lease.

2-51 SECTION 2. Section 11.43(c), Tax Code, is amended to read as
 2-52 follows:

2-53 (c) An exemption provided by Section 11.13, 11.131, 11.17,
 2-54 11.18, 11.182, 11.1827, 11.183, 11.19, 11.20, 11.21, 11.22,
 2-55 11.23(h), (j), or (j-1), 11.231, 11.254, 11.271, 11.29, 11.30, or
 2-56 11.31, once allowed, need not be claimed in subsequent years, and
 2-57 except as otherwise provided by Subsection (e), the exemption
 2-58 applies to the property until it changes ownership or the person's
 2-59 qualification for the exemption changes. However, the chief
 2-60 appraiser may require a person allowed one of the exemptions in a
 2-61 prior year to file a new application to confirm the person's current
 2-62 qualification for the exemption by delivering a written notice that
 2-63 a new application is required, accompanied by an appropriate
 2-64 application form, to the person previously allowed the exemption.

2-65 SECTION 3. Subchapter H, Chapter 151, Tax Code, is amended
 2-66 by adding Section 151.356 to read as follows:

2-67 Sec. 151.356. OFFSHORE SPILL RESPONSE CONTAINMENT
 2-68 PROPERTY. (a) In this section, "offshore spill response
 2-69 containment property" means tangible personal property:

3-1 (1) described by Section 11.271(c);
3-2 (2) owned or leased by an entity described by Section
3-3 11.271(f); and
3-4 (3) used or intended to be used solely in an offshore
3-5 spill response containment system as defined by Section 11.271(a).

3-6 (b) This section does not apply to an item used, wholly or
3-7 partly, for the exploration for or production of oil, gas, sulfur,
3-8 or other minerals, including the equipment, piping, casing, and
3-9 other components of an oil or gas well. For purposes of this
3-10 subsection, the offshore capture of fugitive oil, gas, sulfur, or
3-11 other minerals that is entirely incidental to the item's temporary
3-12 use as an offshore spill response containment system is not
3-13 considered to be production of those substances.

3-14 (c) The sale, lease, rental, storage, use, or other
3-15 consumption by an entity described by Section 11.271(f) of offshore
3-16 spill response containment property used solely for the purposes
3-17 described by Section 11.271(c) and this section is exempted from
3-18 the taxes imposed by this chapter.

3-19 (d) A service performed exclusively on offshore spill
3-20 response containment property is exempted from the taxes imposed by
3-21 this chapter.

3-22 SECTION 4. Section 11.271, Tax Code, as amended by this Act,
3-23 applies only to an ad valorem tax year that begins on or after the
3-24 effective date of this Act.

3-25 SECTION 5. Section 151.356, Tax Code, as added by this Act,
3-26 does not affect tax liability accruing before the effective date of
3-27 this Act. That liability continues in effect as if this Act had not
3-28 been enacted, and the former law is continued in effect for the
3-29 collection of taxes due and for civil and criminal enforcement of
3-30 the liability for those taxes.

3-31 SECTION 6. This Act takes effect immediately if it receives
3-32 a vote of two-thirds of all the members elected to each house, as
3-33 provided by Section 39, Article III, Texas Constitution. If this
3-34 Act does not receive the vote necessary for immediate effect, this
3-35 Act takes effect September 1, 2013.

3-36 * * * * *