

By: Patrick

S.B. No. 1252

A BILL TO BE ENTITLED

AN ACT

1
2 relating to a sales and use tax exemption for certain tangible
3 personal property and services related to mineral exploration and
4 production.

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

6 SECTION 1. Section 151.324(a), Tax Code, is amended to read
7 as follows:

8 (a) The following items are exempted from the sales tax
9 imposed by Subchapter C of this chapter:

10 (1) drill pipe, casing, tubing, and other pipe used
11 for the exploration for or production of oil, gas, sulphur, or other
12 minerals offshore not in this state; ~~and~~

13 (2) tangible personal property exclusively used for
14 the exploration for or production of oil, gas, sulphur, or other
15 minerals offshore not in this state;

16 (3) machinery used to position, place, and hold
17 property exempted under Subdivision (1) or (2) during the assembly,
18 fabrication, restoration, or repair of that property; and

19 (4) services necessary to install, assemble,
20 disassemble, or reassemble scaffolding used in the assembly,
21 fabrication, restoration, or repair of property exempted under
22 Subdivision (1), (2), or (3).

23 SECTION 2. Subchapter H, Chapter 151, Tax Code, is amended
24 by adding Section 151.3241 to read as follows:

1 Sec. 151.3241. DIVERGENT USE OF MACHINERY RELATED TO
2 MINERAL EXPLORATION AND PRODUCTION. (a) In this section,
3 "divergent use" means the use of machinery in a manner or for a
4 purpose other than the manner or purpose that qualified the sale,
5 use, or consumption of the machinery for exemption under Section
6 151.324(a)(3).

7 (b) Divergent use of machinery exempted under Section
8 151.324(a)(3) will not result in sales and use tax being due on the
9 machinery if the divergent use occurs after the fourth anniversary
10 of the date the machinery is purchased.

11 (c) Divergent use of machinery exempted under Section
12 151.324(a)(3) that occurs during any month before the fourth
13 anniversary of the date the machinery is purchased results in sales
14 and use tax being due for that month. The amount of the sales and use
15 tax due for a month is equal to 1/48 of the purchase price of the
16 machinery multiplied by the percentage of divergent use during that
17 month multiplied by the sales and use tax rate as of the first day of
18 that month.

19 (d) The percentage of divergent use for a month is
20 determined by dividing the amount of divergent use during the month
21 by the amount of total use of the machinery during the month. The
22 amount of divergent use during a month is the total time the
23 machinery operates for a divergent use during the month, measured
24 in hours. The total use of the machinery during the month is the
25 total time the machinery is operated during the month, measured in
26 hours.

27 SECTION 3. The change in law made by this Act does not

1 affect tax liability accruing before the effective date of this
2 Act. That liability continues in effect as if this Act had not been
3 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 4. This Act takes effect September 1, 2013.