

By: Parker

H.B. No. 3458

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for recycling of oil and gas
drill cuttings.

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

SECTION 1. Chapter 171, Tax Code, is amended by adding
Subchapter N to read as follows:

SUBCHAPTER N. TAX CREDIT FOR RECYCLING OIL AND GAS DRILL CUTTINGS

Sec. 171.701. DEFINITION. In this subchapter, "oil and gas
drill cuttings" means the soil, rock fragments, and pulverized
material that are removed from a borehole as a result of a drilling
process.

Sec. 171.702. ENTITLEMENT TO CREDIT. A taxable entity is
entitled to a credit in the amount and under the conditions and
limitations provided by this subchapter against the taxes imposed
by this chapter.

Sec. 171.703. QUALIFICATION. A taxable entity is entitled
to a credit under this subchapter if the taxable entity recycles oil
and gas drill cuttings.

Sec. 171.704. AMOUNT; LIMITATIONS. (a) The amount of the
credit is equal to 50 percent of the amount paid by the taxable
entity for energy consumed in connection with the recycling of oil
and gas drill cuttings.

(b) The credit claimed for each reporting period may not
exceed the amount of franchise tax due, after any other applicable

1 tax credits, for the period.

2 Sec. 171.705. CARRYFORWARD. (a) If a taxable entity is
3 eligible for a credit that exceeds the limitation under Section
4 171.704(b), the taxable entity may carry the unused credit forward
5 for not more than five consecutive reports.

6 (b) A carryforward is considered the remaining portion of a
7 credit that cannot be claimed in the current year because of the
8 limitation under Section 171.704(b).

9 Sec. 171.706. SALE OR ASSIGNMENT OF CREDIT. (a) A taxable
10 entity that has an unused, unexpired credit may sell or assign all
11 or part of the credit to one or more taxable entities, and any
12 taxable entity to which all or part of the credit is sold or
13 assigned may sell or assign all or part of the credit to another
14 taxable entity. There is no limit on the total number of
15 transactions for the sale or assignment of all or part of the
16 credit, however, collectively the claiming of a credit for a
17 period, including any transferred portion, is subject to the
18 limitation provided by Section 171.704(b).

19 (b) A taxable entity that sells or assigns a credit under
20 this section and the taxable entity to which the credit is sold or
21 assigned shall jointly submit written notice of the sale or
22 assignment to the comptroller on a form promulgated by the
23 comptroller not later than the 30th day after the date of the sale
24 or assignment. The notice must include:

- 25 (1) the date of the sale or assignment;
26 (2) the amount of the credit sold or assigned;
27 (3) the names and federal tax identification numbers

1 of the taxable entity that sold or assigned the credit or part of
2 the credit and the taxable entity to which the credit or part of the
3 credit was sold or assigned; and

4 (4) the amount of the credit owned by the selling or
5 assigning taxable entity before the sale or assignment, and the
6 amount the selling or assigning taxable entity retained, if any,
7 after the sale or assignment.

8 (c) The sale or assignment of a credit in accordance with
9 this section does not extend the period for which a credit may be
10 carried forward and does not increase the total amount of the credit
11 that may be claimed.

12 SECTION 2. This Act applies only to a report originally due
13 on or after the effective date of this Act.

14 SECTION 3. This Act takes effect January 1, 2016.