By: Herrero

H.B. No. 4021

A BILL TO BE ENTITLED

1 AN ACT

2 Relating to creating a tax severance credit for oil and gas

3 operators for use of alternative fluids in place of fresh water

4 solely in the process of hydraulic fracturing (fracking).

5   BE IT ENACTED BY THE STATE OF TEXAS:

6   Section 1.   Subchapter B, Chapter 201 Tax Code, is amended by

7 adding Section 201.061 to read as follows:

8   Sec. 201.061 TAX REFUND OR CREDIT FOR USE OF ALTERNATIVE

9 FLUIDS IN HYDRAULIC FRACTURING.

10   (a) In this section:

11   (1) "Fresh water" means any surface or fresh

12 groundwater with less than 3,000 milligrams per liter total

13 dissolved solids.

14   (2) "Brackish Groundwater" means any groundwater

15 3,000 milligrams per liter or more total dissolved solids (TDS), as

16 defined by the Railroad Commission of Texas as base of

17 usable-quality groundwater.

18   (3) "Hydraulic fracturing fluid" means the fluid used

19 to hydraulically fracture a well at the time of its initial

20 completion.

21   (4) "Alternative   fluid"   includes   brackish

22 groundwater, desalinated, recycled, municipal treated water or any

23 other technologies that may be developed as alternative to fresh

24 water.

1

1   (5) "Comptroller" means the Texas Comptroller of

2 Public Accounts.

3   (6) "RRC" means the Railroad Commission of Texas.

4   (b) The operator of an oil or natural gas well may apply for

5 a $50,000 per well tax credit from the taxes imposed under Title 2,

6 Chapter 201 and 202, providing the hydraulic fracturing fluid

7 consists entirely of fluids other than fresh water.

8   (c) The RRC will collect and maintain the requisite data to

9 monitor qualification for the tax credit. Specifically, the RRC

10 will append to its existing reporting requirement for newly drilled

11 wells for this optional tax credit:

12   (1) the volume of fluids used in hydraulic fracturing;

13   (2) location of source of alternative fluid, if not

14 groundwater;

15   (3) for groundwater, respondents must provide quality

16 of the groundwater expressed in TDS (parts per million of total

17 dissolved solids); and

18   (4) for groundwater, the GPS location of the source

19 well.

20   (d) Each quarter, the RRC will provide to the Comptroller a

21 list of new wells qualifying for the tax credit and identify the

22 operator. To receive the tax credit, the operator of the well must

23 apply to the Comptroller for the tax credit.

24   (e) The RRC by rule shall create or use a form or forum for

25 producers to certify the qualification for the credit.

26   (f) The RRC may conduct random inspections to enforce this

27 section as the RRC deems appropriate.

1   (g) Penalty for claiming a tax credit based on false

2 information supplied to the RRC which would otherwise disqualify

3 the claim will result in a penalty as deemed appropriate by RRC.

4   (h) The RRC may recognize oil and gas operators who made

5 significant progress in the use of alternative fluids.

6   (i) The tax credit will begin January 1, 2016 and by

7 December 31, 2019, the RRC will report the status of the program's

8 progress to further discuss extension of the incentive program.

9   Section 2. Subchapter B, Chapter 202 Tax Code, is amended by

10 adding Section 202.064 to read as follows:

11   Sec. 202.064 TAX REFUND OR CREDIT FOR USE OF ALTERNATIVE

12 FLUIDS IN HYDRAULIC FRACTURING.

13   (a) In this section:

14   (1) "Fresh water" means any surface or fresh

15 groundwater with less than 3,000 milligrams per liter total

16 dissolved solids.

17   (2) "Brackish Groundwater" means any groundwater

18 3,000 milligrams per liter or more total dissolved solids (TDS), as

19 defined by the Railroad Commission of Texas as base of

20 usable-quality groundwater.

21   (3) "Hydraulic fracturing fluid" means the fluid used

22 to hydraulically fracture a well at the time of its initial

23 completion.

24   (4) "Alternative fluid" includes brackish

25 groundwater, desalinated, recycled, municipal treated water or any

26 other technologies that may be developed as alternative to fresh

27 water.

1   (5) "Comptroller" means the Texas Comptroller of

2 Public Accounts.

3   (6) "RRC" means the Railroad Commission of Texas.

4   (b) The operator of an oil or natural gas well may apply for

5 a $50,000 per well tax credit from the taxes imposed under Title 2,

6 Chapter 201 and 202, providing the hydraulic fracturing fluid

7 consists entirely of fluids other than fresh water.

8   (c) The RRC will collect and maintain the requisite data to

9 monitor qualification for the tax credit. Specifically, the RRC

10 will append to its existing reporting requirement for newly drilled

11 wells for this optional tax credit:

12   (1) the volume of fluids used in hydraulic fracturing;

13   (2) location of source of alternative fluid, if not

14 groundwater;

15   (3) for groundwater, respondents must provide quality

16 of the groundwater expressed in TDS (parts per million of total

17 dissolved solids); and

18   (4) for groundwater, the GPS location of the source

19 well.

20   (d) Each quarter, the RRC will provide to the Comptroller a

21 list of new wells qualifying for the tax credit and identify the

22 operator. To receive the tax credit, the operator of the well must

23 apply to the Comptroller for the tax credit.

24   (e) The RRC by rule shall create or use a form or forum for

25 producers to certify the qualification for the credit.

26   (f) The RRC may conduct random inspections to enforce this

27 section as the RRC deems appropriate.

1   (g) Penalty for claiming a tax credit based on false

2 information supplied to the RRC which would otherwise disqualify

3 the claim will result in a penalty as deemed appropriate by RRC.

4   (h) The RRC may recognize oil and gas operators who made

5 significant progress in the use of alternative fluids.

6   (i) The tax credit will begin January 1, 2016 and by

7 December 31, 2019, the RRC will report the status of the program's

8 progress to discuss extension of the incentive program.