

By: Darby

H.B. No. 4035

A BILL TO BE ENTITLED

AN ACT

relating to an oil and gas severance tax credit for certain community investments.

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

SECTION 1. Subtitle I, Title 2, Tax Code, is amended by adding Chapter 205 to read as follows:

CHAPTER 205. OIL AND GAS TAX CREDIT FOR COMMUNITY INVESTMENT

Sec. 205.001. DEFINITIONS. In this chapter:

(1) "No water production technique" means a method of producing oil and gas that uses nitrogen, carbon dioxide, or fluids other than water.

(2) "Operator" means the person responsible for the actual physical operation of an oil or gas well.

(3) "Public junior college" has the meaning assigned by Section 61.003, Education Code.

(4) "Water infrastructure and road project" means a project to acquire, construct, finance, improve, operate, and maintain water infrastructure and macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads.

Sec. 205.002. TAX CREDIT. (a) The operator of an oil or gas well is entitled to a credit against the tax imposed by Chapter 201 or 202, as applicable, as provided by this chapter if the operator:

(1) implements a no water production technique to

1 produce oil or gas in this state;

2 (2) contributes towards the costs of a water  
3 infrastructure and road project in this state; or

4 (3) makes a monetary donation to a public junior  
5 college in this state.

6 (b) Subject to Subsection (c), the amount of the credit to  
7 which an operator is entitled under this chapter is an amount equal  
8 to:

9 (1) the costs to the operator of implementation of the  
10 no water production technique;

11 (2) the amount of money the operator contributes to a  
12 water infrastructure and road project; or

13 (3) the amount of money the operator donates to a  
14 public junior college.

15 (c) The amount of the credit to which an operator is  
16 entitled under this chapter may not exceed \$10,000. An operator may  
17 not claim an amount of the credit on a report that exceeds the  
18 amount of tax due on the report. Any unused amount of the credit may  
19 be carried forward to subsequent reports until the credit amount is  
20 exhausted. An operator may not receive more than one type of tax  
21 credit authorized under Subsection (a), and may claim only one tax  
22 credit for that type of credit.

23 (d) The credit is allocated to each person who bears the tax  
24 under Section 201.205 or 202.156, as applicable, according to the  
25 person's proportionate share in the oil or gas produced.

26 Sec. 205.003. APPLICATION. (a) To qualify for the credit  
27 provided under this chapter, the person responsible for paying the

1 tax must apply to the comptroller.

2 (b) The application must include any information required  
3 by the comptroller.

4 SECTION 2. The comptroller shall adopt rules necessary to  
5 administer Chapter 205, Tax Code, as added by this Act, not later  
6 than December 31, 2015.

7 SECTION 3. Chapter 205, Tax Code, as added by this Act,  
8 applies only to oil or gas produced on or after the effective date  
9 of this Act. Oil or gas produced before the effective date of this  
10 Act is subject to the law in effect when the oil or gas was produced,  
11 and that law is continued in effect for that purpose.

12 SECTION 4. The change in law made by this Act does not  
13 affect tax liability accruing before the effective date of this  
14 Act. That liability continues in effect as if this Act had not been  
15 enacted, and the former law is continued in effect for the  
16 collection of taxes due and for civil and criminal enforcement of  
17 the liability for those taxes.

18 SECTION 5. (a) Except as provided by Subsection (b) of this  
19 section, this Act takes effect January 1, 2016.

20 (b) Section 2 of this Act takes effect immediately if this  
21 Act receives a vote of two-thirds of all the members elected to each  
22 house, as provided by Section 39, Article III, Texas Constitution.  
23 If this Act does not receive the vote necessary for immediate  
24 effect, Section 2 of this Act takes effect September 1, 2015.