**LEGISLATIVE BUDGET BOARD**
**Austin, Texas**

# FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

**May 4, 2015**

**TO:** Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3458** by Parker (Relating to a franchise tax credit for recycling of oil and gas drill cuttings.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3458, As Introduced: an impact of $0 through the biennium ending August 31, 2017.

**Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of ($7,500,000) for the 2016-17 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.**

## General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|---|---|
| 2016 | $0 |
| 2017 | $0 |
| 2018 | $0 |
| 2019 | $0 |
| 2020 | $0 |

## All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue (Loss) from *Property Tax Relief Fund* 304 |
|---|---|
| 2016 | ($3,750,000) |
| 2017 | ($3,750,000) |
| 2018 | ($3,750,000) |
| 2019 | ($3,750,000) |
| 2020 | ($3,750,000) |

## Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding a franchise tax credit for recycling oil and gas drill cuttings. The bill would define "oil and gas drill cuttings" as the soil, rock fragments, and pulverized material removed from a borehole as a result of a drilling process.

The amount of the credit would be 50 percent of the amount paid by the taxable entity for energy consumed in connection with the recycling of oil and gas drill cuttings. The credit for a reporting period would be limited to the amount of franchise tax due. If the amount of credit exceeds the limit, the credit could be carried forward for not more than five consecutive reports. A taxable entity with unused, unexpired credits could sell or assign credits to one or more taxable entities and those taxable entities could resell or assign the credit. There would be no limit on the number of transactions for the sale or assignment of the credit. Written notice of the sale or assignment of a credit by a taxable entity to another taxable entity must be jointly made to the Comptroller within 30 days of the sale or assignment on a form promulgated by the Comptroller. The notice would be required to contain the information specified in the bill.

The bill would take effect on January 1, 2016 and apply franchise tax reports due on or after that data.

## Methodology

The estimated fiscal impact is based on information regarding thermal systems for treating drilling waste products. The estimate assumes energy cost per well would be $15,000 and 500 wells per year would qualify for the credit.

## Local Government Impact

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

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