

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 1, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB4035** by Darby (Relating to an oil and gas severance tax credit for certain community investments.), **As Introduced**

There could be an indeterminate loss of oil production and natural gas production tax revenue depending on the number of operators using "no water production techniques" defined in the bill or making donations pursuant to the provisions of the bill.

This bill would amend the Tax Code by adding new Chapter 205 regarding oil and gas severance tax credit for certain community investments. The operator of an oil or natural gas well would be entitled to a credit if the operator uses nitrogen, carbon dioxide or fluids other than water to produce oil or natural gas; contributes towards the costs of a water infrastructure and road project in the state; or makes a monetary donation to a public junior college in the state.

The amount of the credit would be equal to the costs to the operator of implementation of a no water production technique; the amount of money the operator contributes to a water infrastructure and road project; or the amount of money the operator donates to a public junior college. The total tax credit may not exceed \$10,000 per operator.

The person responsible for paying the tax must apply to the Comptroller for the tax credit. The credit would be allocated proportionately to each taxpayer. The Comptroller would adopt rules necessary to administer the bill's provisions by December 31, 2015.

This bill's provision requiring the adoption of rules by the Comptroller would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, that provision would take effect September 1, 2015. The bill's other provisions would take effect January 1, 2016.

The number of operators who would use non-water based fluids, as well as those who would make the specified contributions, is unknown. The fiscal implications cannot be estimated.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD

