

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 25, 2017**

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

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

**IN RE: HB3201** by Darby (Relating to the designation of a well as a two-year inactive well or three-year inactive well for purposes of the oil and gas severance tax exemption.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3201, As Introduced: a negative impact of (\$3,226,000) through the biennium ending August 31, 2019.

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

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$1,236,000)
2019	(\$1,990,000)
2020	(\$4,992,000)
2021	(\$5,811,000)
2022	(\$7,031,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Foundation School</i> <i>Fund</i> 193	Probable Savings from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>State Highway Fund</i> 6
2018	(\$927,000)	(\$309,000)	\$0	\$0
2019	(\$2,188,000)	(\$729,000)	\$927,000	(\$463,000)
2020	(\$5,385,000)	(\$1,795,000)	\$2,188,000	(\$1,094,000)
2021	(\$8,397,000)	(\$2,799,000)	\$5,385,000	(\$2,693,000)
2022	(\$11,571,000)	(\$3,857,000)	\$8,397,000	(\$4,198,000)

Fiscal Year	Probable Revenue (Loss) from <i>Economic Stabilization Fund</i> 599
2018	\$0
2019	(\$463,000)
2020	(\$1,094,000)
2021	(\$2,693,000)
2022	(\$4,198,000)

### **Fiscal Analysis**

The bill would amend Section 202.056 of the Tax Code to make permanent the two-year inactive well exemptions for oil and natural gas production taxes by removing the deadlines for the application submission and the designation of the wells by the Railroad Commission (RRC.)

The bill would remove from this section references to the expired three-year inactive well exemptions for oil and natural gas production taxes, which were last certified by the RRC in 1996.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect on the 91st day after the last day of the legislative session.

### **Methodology**

The fiscal impact analysis is based on the Comptroller's oil and natural gas production taxes data and the *2018-19 Biennial Revenue Estimate*. The fiscal impact reflects the buildup of the population of qualified inactive wells for the next 10 years beginning in fiscal 2018.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** UP, KK