

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 11, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3232 by Darby (Relating to the penalty imposed on certain delinquent oil and gas severance taxes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3232, As Introduced: a negative impact of (\$900,000) 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	(\$900,000)
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2018	(\$900,000)
2019	\$0
2020	\$0
2021	\$0
2022	\$0

Fiscal Analysis

The bill would amend Chapters 201 and 202 of the Tax Code regarding oil or natural gas production taxes to allow a taxpayer to file an amended natural gas or oil production tax return without incurring a penalty if certain conditions are met.

The bill would take effect January 1, 2018.

Methodology

Taxpayers typically wait until the end of the four year statute of limitations to file amendments to their oil and natural gas production tax returns. This bill would encourage taxpayers to file their amendments within 730 days of filing the original return in order to be eligible for the automatic penalty waiver. No significant fiscal impact is expected.

Technology

The Comptroller of Public Accounts indicates there would be a one-time technology cost of \$900,000 in fiscal 2018 for an estimated 6000 hours of application revisions and programming to the crude oil and natural gas tax system (CONG). Because the bill refers to "an" amendment or "the" amendment, it is assumed that multiple small amendments to the same report could be submitted, all of which individually could be under 25 percent of the original report, and therefore not subject to a penalty. An automated process would need to be created in CONG that would compare amendments to the original timely tax base and charge or not charge a penalty. Similar penalty computing changes would also be needed to the Comptroller's audit and penalty and interest systems. A review of current tax report data indicates a minimum of 600 amended reports per month would meet the 25 percent or under criteria.

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, LCO, RC