

## **BILL ANALYSIS**

H.B. 3865  
By: Bailes  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Currently, the calculation for average daily production used to determine if a gas well or oil lease qualifies for the production tax credits for low-producing wells and leases is based on data reported to the Railroad Commission of Texas (RRC). It has been noted, however, that reports filed with the comptroller of public accounts often show more production than is reported to the RRC. H.B. 3865 seeks to update state law to codify the current practice of basing eligibility for the credits on the higher of the average daily production rates reported to the RRC or the comptroller.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 3865 amends the Tax Code to change the method of calculating daily production per well for purposes of qualifying a gas well or oil lease for the oil and gas production tax credits for low-producing wells and leases from computing the average daily production from the well using the monthly well production report made to the Railroad Commission of Texas (RRC) to computing the average daily production using the greater of the monthly production from the well reported in the monthly reports made to the RRC and the monthly production from the well as reported in the producer's reports made to the comptroller of public accounts, including any amendments to those reports.

### **EFFECTIVE DATE**

September 1, 2019.