

BILL ANALYSIS

Senate Research Center

S.B. 925
By: Flores
Natural Resources & Economic Development
5/23/2019
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the calculation for average daily production used to determine if a producer's well or lease qualifies as "low-producing" (eligible for a tax credit) is based on data the producer reports to the Railroad Commission of Texas (railroad commission). However, taxpayers-producers frequently file reports with the Office of the Comptroller of Public Accounts of the State of Texas (comptroller's office) showing more production than is reported to the railroad commission, which affects eligibility.

In order to ensure that only those wells or leases that meet the appropriate production levels qualify for the tax credit, the agency manually reviews data reported to the railroad commission and data reported to the comptroller's office to determine eligibility, which is costly and inefficient.

Current law bases tax credit eligibility as a "low-producing" well or lease only on the reports made to the railroad commission. Taxpayers are required to submit separate production reports to the railroad commission for natural gas and crude oil production. These reports are due prior to tax reporting deadlines. Currently, the comptroller's system receives information from the railroad commission related to these production reports. The comptroller's office crosschecks railroad commission production information against information reported by the taxpayer in their monthly tax returns to verify eligibility for the exemption.

This proposal seeks to update statute to codify current practices of the comptroller's office basing eligibility for low-producing gas wells and oil leases on the higher production rates reported to the railroad commission or the comptroller's office.

The changes proposed in statute will allow the agency to automate what is now a manual review of information, increasing efficiency and allowing the best use of limited staff resources. (Original Author's/Sponsor's Statement of Intent)

S.B. 925 amends current law relating to calculation of daily production for purposes of the oil and gas production tax credits for low-producing wells and leases.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 201.059(a)(3), Tax Code, to specify that, for purposes of qualifying a gas well, production per well per day is determined by computing the average daily production from the well using the greater of the monthly production from the well as reported in the monthly well production reports made to the Railroad Commission of Texas (railroad commission) and the monthly production from the well as reported in the producer's reports made to the comptroller of public accounts of the State of Texas (comptroller) under Section 201.203 (Producer's Report), including any amendments to those reports, rather than using the monthly well production report made to the railroad commission.

SECTION 2. Amends Section 202.058(b), Tax Code, to provide that, for purposes of qualifying a lease, production per well per day is determined by computing the average daily per well production from the lease using the greater of the monthly production from the well as reported in the monthly lease production reports made to the railroad commission and the monthly production from the well as reported in the producer's reports made to the comptroller under Section 202.201 (Producer's Report), including any amendments to those reports, rather than using the monthly lease production report made to the railroad commission.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2019.