

By: Paddie

H.B. No. 1558

A BILL TO BE ENTITLED

AN ACT

relating to the severance tax exemption for oil and gas produced from certain inactive wells.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 202.056(a)(4), Tax Code, is amended to read as follows:

(4) "Two-year inactive well" means a well that has not produced oil or gas in more than one month in the two years preceding the date of application for severance tax exemption under this section. The term does not include a well that is:

(A) part of an enhanced oil recovery project, as defined by Section 89.002, Natural Resources Code; or

(B) drilled but not completed and that does not have a record of hydrocarbon production reported to the commission.

SECTION 2. Section 202.056, Tax Code, is amended by amending Subsections (b), (c), (d), (e), (h), and (i) and adding Subsections (j) and (k) to read as follows:

(b) Hydrocarbons produced from a well qualify for a five-year [~~10-year~~] severance tax exemption if the commission designates the well as a [~~three-year inactive well or a~~] two-year inactive well. The commission may require an applicant to provide the commission with any relevant information required to administer this section. The commission may require additional well tests to determine well capability as the commission [~~it~~] deems necessary.

1 The commission shall notify the comptroller in writing immediately
2 if the commission [~~it~~] determines that the operation of the
3 [~~three-year inactive well or~~] two-year inactive well has been
4 terminated or if the commission [~~it~~] discovers any information that
5 affects the taxation of the production from the designated well.

6 (c) [~~If the commission designates a three-year inactive
7 well under this section, it shall issue a certificate designating
8 the well as a three-year inactive well as defined by Subsection
9 (a)(3) of this section. The commission may not designate a
10 three-year inactive well under this section after February 29,
11 1996.~~] If the commission designates a two-year inactive well under
12 this section, the commission [~~it~~] shall issue a certificate
13 designating the well as a two-year inactive well [~~as defined by
14 Subsection (a)(4) of this section. The commission may not
15 designate a two-year inactive well under this section after
16 February 28, 2010~~].

17 (d) [~~An application for three-year inactive well
18 certification shall be made during the period of September 1, 1993,
19 through August 31, 1995, to qualify for the tax exemption under this
20 section.~~] An application for two-year inactive well certification
21 must be made to the commission [~~shall be made during the period
22 September 1, 1997, through August 31, 2009,~~] to qualify for the tax
23 exemption under this section. Hydrocarbons sold after the date of
24 certification are eligible for the tax exemption.

25 (e) The commission may revoke a certificate if information
26 indicates that a certified well was not a [~~three-year inactive well
27 or a~~] two-year inactive well [~~, as appropriate,~~] or if other lease

1 production is credited to the certified well. Upon notice to the
2 operator from the commission that the certificate for tax exemption
3 under this section has been revoked, the tax exemption may not be
4 applied to hydrocarbons sold from that well from the date of
5 revocation.

6 (h) If the tax is paid at the full rate provided by Section
7 201.052(a) or [~~201.052(b)~~], 202.052(a) [~~or 202.052(b)~~] before
8 the comptroller approves an application for an exemption provided
9 for in this chapter, the operator is entitled to a credit against
10 taxes imposed by this chapter in an amount equal to the tax paid. To
11 receive a credit, the operator must apply to the comptroller for the
12 credit before the expiration of the applicable period for filing a
13 tax refund claim under Section 111.104.

14 (i) A [~~Penalties~~
15 [~~(1) Any~~] person who makes or subscribes any
16 application, report, or other document and submits the application,
17 report, or other document [~~it~~] to the commission to form the basis
18 for an application for a tax exemption under this section, knowing
19 that the application, report, or other document is false or untrue
20 in a material fact, may be subject to the penalties imposed by
21 Chapters 85 and 91, Natural Resources Code.

22 (j) On [~~(2) Upon~~] notice from the commission that the
23 certification for a [~~three-year inactive well or a~~] two-year
24 inactive well has been revoked, the tax exemption shall not apply to
25 oil or gas production sold after the date of notification. A [~~Any~~]
26 person who violates this subsection is liable to the state for a
27 civil penalty if the person applies or attempts to apply the tax

1 exemption allowed by this chapter after the certification for a
2 [~~three-year inactive well or a~~] two-year inactive well is revoked.
3 The amount of the penalty may not exceed the sum of:

4 (1) [~~(A)~~] \$10,000; and

5 (2) [~~(B)~~] the difference between the amount of taxes
6 paid or attempted to be paid and the amount of taxes due.

7 (k) [~~(3)~~] The attorney general may recover a penalty under
8 Subsection (j) [~~Subdivision (2) of this subsection~~] in a suit
9 brought on behalf of the state. Venue for the suit is in Travis
10 County.

11 SECTION 3. Section [202.056\(a\)\(3\)](#), Tax Code, is repealed.

12 SECTION 4. The changes in law made by this Act apply only to
13 an oil or gas well designated by the Railroad Commission of Texas as
14 a two-year inactive well on or after the effective date of this Act.
15 An oil or gas well designated by the Railroad Commission of Texas as
16 a two-year inactive well, or as a three-year inactive well, before
17 the effective date of this Act is governed by the law in effect
18 immediately before that date, and the former law is continued in
19 effect for that purpose.

20 SECTION 5. This Act takes effect September 1, 2019.