

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 19, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB1558 by Paddie (Relating to the severance tax exemption for oil and gas produced from certain inactive wells.), **As Introduced**

<p>No significant fiscal implication to the State is anticipated.</p>

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 narrow the definition of a qualifying two-year inactive well to exclude: 1) a well which has been drilled but not completed, and without a record of hydrocarbon production as reported to the RRC; and 2) a well that is part of an enhanced oil recovery project. The exemption period would be reduced from 10 to 5 years.

The bill would repeal the definition of a three-year inactive well and 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 provide an incentive to return marginal inactive wells to production. Although it is possible that certain non-marginal wells would qualify for this exemption, production is expected to be inconsequential and there would be no significant state revenue impact.

The bill would take effect September 1, 2019.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, SZ, SD, KK