

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 12, 2019

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

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

IN RE: SB1417 by Johnson (Relating to phasing out the tax reduction for certain high-cost gas.),
 As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB1417, As Introduced: a positive impact of \$32,840,000 through the biennium ending August 31, 2021.

Additionally, there would be a positive impact of \$33,528,000 to Other Funds through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	\$11,176,000
2021	\$21,664,000
2022	\$28,725,000
2023	\$31,141,000
2024	\$35,257,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Foundation School Fund</i> 193	Probable Revenue Gain from <i>State Highway Fund</i> 6
2020	\$33,529,000	(\$33,529,000)	\$11,176,000	\$0
2021	\$64,991,000	(\$64,991,000)	\$21,664,000	\$16,764,000
2022	\$86,175,000	(\$86,175,000)	\$28,725,000	\$32,496,000
2023	\$93,423,000	(\$93,423,000)	\$31,141,000	\$43,088,000
2024	\$105,771,000	(\$105,771,000)	\$35,257,000	\$46,711,000

Fiscal Year	Probable Revenue Gain from <i>Economic Stabilization Fund</i> 599
2020	\$0
2021	\$16,764,000
2022	\$32,496,000
2023	\$43,088,000
2024	\$46,711,000

Fiscal Analysis

The bill would amend Section 201.057(f) of the Tax Code, regarding the temporary exemption or tax reduction for certain high-cost gas, to require that in order to be eligible for the exemption or tax reduction, an application be filed before September 1, 2019.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2019.

Methodology

No longer accepting applications for the high-cost gas exemption would result in a revenue gain starting in fiscal year 2020, as potential new qualifying wells would no longer be entitled to the tax exemption.

The natural gas production tax is an occupation tax and, as such, is allocated three-fourths to undedicated General Revenue and one-fourth to General Revenue Dedicated Account - Foundation School. Of an amount equal to annual total revenue above 1987 collections, 75 percent is reserved for the constitutional transfer from undedicated GR to the Economic Stabilization Fund and the State Highway Fund the following year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD