BILL ANALYSIS

Senate Research Center
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S.B. 1477
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2005, the 79th Texas Legislature passed a severance tax credit for marginal oil and gas wells that is only triggered if prices fall below certain points. In considering the proposal, the value of direct activity of marginal wells was valued at $2.8 billion and, according to the comptroller of public accounts, the additional multiplier for total economic impact of oil and gas production to the Texas economy is six-fold. These estimates, the danger of such low-producing wells being abandoned if prices drop significantly, and the impact of gas prices on the economy, led lawmakers to approve the credit as a kind of insurance policy to keep the wells producing in the event of a drastic drop in oil and gas prices.

The measure contained a sunset date for 2007. After further study by the Railroad Commission of Texas' (commission) natural gas pipeline competition study advisory committee in 2006, it was determined that individually marginal wells are insignificant, but marginal wells collectively are important. The advisory committee recommended removing the sunset date and the commission adopted the advisory committee's recommendation.

As proposed, S.B. 1477 removes the sunset date that applies to the tax credit for marginal oil and gas wells.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Repealer: Section 201.059(g) (providing that the section expires September 1, 2007) and Section 202.058(g) (relating to a person being entitled to a credit against taxes imposed by this chapter or Chapter 201, if the taxes paid by the person on oil was at the full rate provided by Section 202.052, on the amount overpaid), Tax Code.

SECTION 2. Effective date: upon passage or the 91st day after adjournment.