

**SUBJECT:** Repealing production taxes on crude petroleum and sulfur

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 6 ayes — D. Bonnen, Button, Darby, Murphy, Springer, Wray  
3 nays — Y. Davis, Martinez Fischer, C. Turner  
2 absent — Bohac, Parker

**SENATE VOTE:** On final passage, March 24 — 25-6 (Ellis, Garcia, Menéndez, Rodríguez, Watson, West)

**WITNESSES:** For — None  
Against — None  
On — (*Registered, but did not testify*): Karey Barton, Texas Comptroller of Public Accounts)

**BACKGROUND:** Natural Resources Code, sec. 81.111 levies a tax on each barrel of crude petroleum produced in the state at the rate of three-sixteenths of one cent.  
Tax Code, ch. 203 levies a tax of \$1.03 on each long ton or fraction of a long ton of sulfur produced in the state.

**DIGEST:** SB 757 would repeal the tax on crude petroleum production and the tax on sulfur production.  
The bill would take effect September 1, 2015, and would not affect tax liability accruing before that date.

**SUPPORTERS SAY:** SB 757 actually would increase state revenues by repealing the crude petroleum production tax and the sulfur production tax because these taxes impose a large administrative opportunity cost on the comptroller's resources. Resources currently spent administering and enforcing these

fees would generate more revenue if they were redeployed to audit or enforcement activities for other taxes.

The tax system should strive to make its collections as efficient as possible, and the crude oil and sulfur production taxes impose various costs on consumers and businesses, reducing market efficiency. Businesses subject to these taxes already pay taxes of some sort, which ensures fairness. Consumers, small businesses, and the state would be better off eliminating these unnecessary taxes, which generate too little revenue to offset the administrative opportunity cost.

**OPPONENTS  
SAY:**

SB 757's elimination of taxes on crude petroleum and sulfur would have a direct negative impact on revenue, and the state should not cut revenue when it faces needs in critical areas, such as education and transportation.

This bill would eliminate taxes on the grounds that they do not bring in sufficient revenue to offset the time spent collecting them. However, a tax that is comparatively less cost-effective to collect should not necessarily be eliminated. Businesses should all pay their fair share because they benefit from the same system of legal protections established and enforced by the state government.

**NOTES:**

The Legislative Budget Board's fiscal note estimates that the taxes eliminated by SB 757 would have a negative net impact of \$10.9 million to general revenue through fiscal 2016-17.