HOUSE
RESEARCH
ORGANIZATION bill analysis 5/26/97

SB 1407
Lucio (Counts)
(CSSB 1407 by Williamson)

SUBJECT: No tax exemption filing deadline for high-cost gas producers

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — Craddick, Ramsay, Heflin, Holzheauser, Oliveira, Stiles, Telford, Thompson, Williamson

1 nay — Horn

1 absent — Grusendorf

SENATE VOTE: On final passage, April 5 — 31-0

WITNESSES: None

BACKGROUND: To receive a tax exemption or tax reduction for a high-cost gas well, a gas producer must submit an application to the Comptroller's Office within 180 days of the first day of production. The applications must contain a high-cost gas certificate from the Railroad Commission.

DIGEST: CSSB 1407 would allow a high-cost gas producer to apply to the Railroad Commission for certification that a gas well produces or will produce high-cost gas at any time, instead of within 180 days after the first day of production. The high-cost gas producer would be permitted to submit an application to the comptroller for a tax exemption or tax reduction no later than 180 days after the first day of production or 45 days after the producer received Railroad Commission approval or certification.

If the application was not filed by the applicable deadline, then the tax exemption or tax deduction would be reduced by 10 percent for the period between the 180th day after the first day of production and the day on which the application was filed with the comptroller.

The bill would take effect September 1, 1997, and allow a producer qualified to file an application for high-cost gas certification with the Railroad Commission to file an application with the comptroller for the tax exemption or reduction at any time after the first day of production.

SUPPORTERS SAY:

CSSB 1407 would extend the period during which high-cost gas producers could file to receive tax exemptions or tax reductions from the state. Many high-cost gas producers are now ineligible to receive tax exemptions or reductions because of unrealistic deadlines that demand all the necessary paper work be submitted to the comptroller's office within 180 days of the first day of production. If the Railroad Commission misses the certification deadline, then the high-cost gas producer is unable to apply to the comptroller for a tax exemption or reduction. Texas encourages the production of high-cost gas by offering tax exemptions and reductions, and this bill would merely extend the deadlines to give high-cost gas producers the opportunity to receive tax reductions to make it worthwhile to produce this expensive gas.

The bill would gives high-cost gas producers an incentive to get the application to the comptroller as soon as possible or face a 10 percent reduction in the tax exemption or reduction. It would benefit the state economically by encouraging high-cost gas production. There are relatively few producers of high-cost gas producers, which is why the incentive is needed, so the overall fiscal impact on the state would be negligible.

OPPONENTS SAY:

This bill would effectively eliminate the deadline for gas producers to be certified by the Railroad Commission and apply to the comptroller for tax reductions or exemptions. The current 180-day deadline is sufficient time for paperwork to be completed and it should not be extended. Gas producers in Texas already receive many tax breaks, and they should at least be made to adhere to deadlines like other taxpayers.

Although the fiscal note says there would be no financial implication to the state, the bill would allow any qualified high-cost gas producer to apply for a tax exemption/reduction any time and receive a tax credit or rebate for taxes already paid. Eliminating the deadline would make it more difficult for the Comptroller's Office to predict the flow of income into state coffers.

NOTES: The committee substitute allowed high-cost producers to file an application with the comptroller regardless of the date on which the gas was first produced.