HOUSE RESEARCH ORGANIZATION bill digest | 5/4/2017 | HB 3232 Darby (CSHB 3232 by Bohac)

SUBJECT: Removing penalties on certain amended oil and gas severance tax reports

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 11 ayes — D. Bonnen, Y. Davis, Bohac, Darby, E. Johnson, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

WITNESSES: For — (*Registered, but did not testify*: Paula Barnett, BP America; Julie Williams, Chevron; Kinnan Golemon, Devon Energy; Stephen Minick, Texas Association of Business; Dale Craymer, Texas Taxpayers and Research Association)

Against — None

BACKGROUND: Tax Code, sec. 201.351 and sec. 202.301 levy a 5 percent penalty on delinquent gas and oil severance taxes, respectively. This penalty applies to any additional tax due on an amended report, even when the original report was filed on time. Some observers contend that producers can be penalized for the difference between the original report and the amended report even when they originally made a good faith effort to pay the proper amount on time.

DIGEST: CSHB 3232 would provide that an oil or gas severance taxpayer was not subject to the penalty under sec. 201.351 or sec. 202.301 on additional tax from an amended report if:

- the original report was filed on time and the full amount of tax due at the time was paid;
- the amended return was filed within two years after the due date of the original report and any additional tax was paid when the amended return was filed;
- any additional tax due was less than 25 percent of the tax originally paid; and

- the taxpayer resolved all errors identified by the comptroller within 60 days.

This bill would take effect January 1, 2018, and would apply to delinquent tax owed as a result of an amended report filed on or after that date, regardless of when the original report was due.