

## **BILL ANALYSIS**

Senate Research Center

S.B. 126  
By: Bivins  
Finance  
3-12-97  
As Filed

### **DIGEST**

In the 73rd Legislature, H.B. 1975 was passed to provide severance tax relief for wells which have been returned to active status after three years or more of inactivity. According to the Texas Railroad Commission, the exemption has been responsible for a great number of wells being reworked and producing again. However, the application to apply for that exemption expired in August 1995. S.B. 126 would provide a new program to allow for a 10-year severance tax exemption for wells that are brought back to production after at least two years of inactivity. The bill also broadens the definition of hydrocarbons that currently receive tax relief under Section 202.056, Tax Code.

### **PURPOSE**

As proposed, S.B. 126 outlines provisions relating to tax exemption for hydrocarbon production from certain inactive oil and gas leases returned to production.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 202.056(a), Tax Code, by amending Subdivision (2) and adding Subdivision (4), to redefine "hydrocarbons" and define "two-year inactive well."

SECTION 2. Amends Sections 202.056(b)-(e) and (h), Tax Code, to provide that hydrocarbons produced from a well qualify for a 10-year severance tax exemption if the Railroad Commission of Texas (commission) designates the well as a three- or two-year inactive well. Prohibits a well previously designated as a three-year inactive well from being eligible for designation as a two-year inactive well. Prohibits the commission from designating a three-year inactive well under this section after February 29, 1996. Requires the commission to issue a certificate designating a well as a two-year inactive well, if the commission designates a two-year inactive well under this section. Prohibits the commission from designating a two-year inactive well under this section after February 29, 2000. Requires an application for two-year inactive well certification to be made during the period of September 1, 1997, through August 31, 1999, to qualify for the tax exemption under this section. Makes conforming changes.

SECTION 3. Amends Section 202.056(i)(2), Tax Code, to make conforming changes.

SECTION 4. Effective date: September 1, 1997.

SECTION 5. Emergency clause.