

1-1 By: Birdwell S.B. No. 533
 1-2 (In the Senate - Filed January 30, 2019; February 21, 2019,
 1-3 read first time and referred to Committee on Natural Resources &
 1-4 Economic Development; March 14, 2019, reported favorably by the
 1-5 following vote: Yeas 11, Nays 0; March 14, 2019, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18	X			

1-19 A BILL TO BE ENTITLED
 1-20 AN ACT

1-21 relating to the severance tax exemption for oil and gas produced
 1-22 from certain inactive wells.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. Section 202.056(a)(4), Tax Code, is amended to
 1-25 read as follows:

1-26 (4) "Two-year inactive well" means a well that has not
 1-27 produced oil or gas in more than one month in the two years
 1-28 preceding the date of application for severance tax exemption under
 1-29 this section. The term does not include a well that is:

1-30 (A) part of an enhanced oil recovery project, as
 1-31 defined by Section 89.002, Natural Resources Code; or

1-32 (B) drilled but not completed and that does not
 1-33 have a record of hydrocarbon production reported to the commission.

1-34 SECTION 2. Section 202.056, Tax Code, is amended by
 1-35 amending Subsections (b), (c), (d), (e), (h), and (i) and adding
 1-36 Subsections (j) and (k) to read as follows:

1-37 (b) Hydrocarbons produced from a well qualify for a
 1-38 five-year ~~[10-year]~~ severance tax exemption if the commission
 1-39 designates the well as a ~~[three-year inactive well or a]~~ two-year
 1-40 inactive well. The commission may require an applicant to provide
 1-41 the commission with any relevant information required to administer
 1-42 this section. The commission may require additional well tests to
 1-43 determine well capability as the commission ~~[it]~~ deems necessary.
 1-44 The commission shall notify the comptroller in writing immediately
 1-45 if the commission ~~[it]~~ determines that the operation of the
 1-46 ~~[three-year inactive well or]~~ two-year inactive well has been
 1-47 terminated or if the commission ~~[it]~~ discovers any information that
 1-48 affects the taxation of the production from the designated well.

1-49 (c) ~~[If the commission designates a three-year inactive~~
 1-50 ~~well under this section, it shall issue a certificate designating~~
 1-51 ~~the well as a three-year inactive well as defined by Subsection~~
 1-52 ~~(a)(3) of this section. The commission may not designate a~~
 1-53 ~~three-year inactive well under this section after February 29,~~
 1-54 ~~1996.]~~ If the commission designates a two-year inactive well under
 1-55 this section, the commission ~~[it]~~ shall issue a certificate
 1-56 designating the well as a two-year inactive well ~~[as defined by~~
 1-57 ~~Subsection (a)(4) of this section. The commission may not~~
 1-58 ~~designate a two-year inactive well under this section after~~
 1-59 ~~February 28, 2010].~~

1-60 (d) ~~[An application for three-year inactive well~~
 1-61 ~~certification shall be made during the period of September 1, 1993,~~

2-1 ~~through August 31, 1995, to qualify for the tax exemption under this~~
 2-2 ~~section.]~~ An application for two-year inactive well certification
 2-3 must be made to the commission [~~shall be made during the period~~
 2-4 ~~September 1, 1997, through August 31, 2009,~~] to qualify for the tax
 2-5 exemption under this section. Hydrocarbons sold after the date of
 2-6 certification are eligible for the tax exemption.

2-7 (e) The commission may revoke a certificate if information
 2-8 indicates that a certified well was not a [~~three-year inactive well~~
 2-9 ~~or a~~] two-year inactive well[~~, as appropriate,~~] or if other lease
 2-10 production is credited to the certified well. Upon notice to the
 2-11 operator from the commission that the certificate for tax exemption
 2-12 under this section has been revoked, the tax exemption may not be
 2-13 applied to hydrocarbons sold from that well from the date of
 2-14 revocation.

2-15 (h) If the tax is paid at the full rate provided by Section
 2-16 201.052(a) or[~~, 201.052(b),~~] 202.052(a)[~~, or 202.052(b)~~] before
 2-17 the comptroller approves an application for an exemption provided
 2-18 for in this chapter, the operator is entitled to a credit against
 2-19 taxes imposed by this chapter in an amount equal to the tax paid. To
 2-20 receive a credit, the operator must apply to the comptroller for the
 2-21 credit before the expiration of the applicable period for filing a
 2-22 tax refund claim under Section 111.104.

2-23 (i) A [~~Penalties~~
 2-24 ~~(1) Any~~] person who makes or subscribes any
 2-25 application, report, or other document and submits the application,
 2-26 report, or other document [~~it~~] to the commission to form the basis
 2-27 for an application for a tax exemption under this section, knowing
 2-28 that the application, report, or other document is false or untrue
 2-29 in a material fact, may be subject to the penalties imposed by
 2-30 Chapters 85 and 91, Natural Resources Code.

2-31 (j) On [~~(2) Upon~~] notice from the commission that the
 2-32 certification for a [~~three-year inactive well or a~~] two-year
 2-33 inactive well has been revoked, the tax exemption shall not apply to
 2-34 oil or gas production sold after the date of notification. A [~~Any~~]
 2-35 person who violates this subsection is liable to the state for a
 2-36 civil penalty if the person applies or attempts to apply the tax
 2-37 exemption allowed by this chapter after the certification for a
 2-38 [~~three-year inactive well or a~~] two-year inactive well is revoked.
 2-39 The amount of the penalty may not exceed the sum of:

2-40 (1) [~~(A)~~] \$10,000; and
 2-41 (2) [~~(B)~~] the difference between the amount of taxes
 2-42 paid or attempted to be paid and the amount of taxes due.

2-43 (k) [~~(3)~~] The attorney general may recover a penalty under
 2-44 Subsection (j) [~~Subdivision (2) of this subsection~~] in a suit
 2-45 brought on behalf of the state. Venue for the suit is in Travis
 2-46 County.

2-47 SECTION 3. Section 202.056(a)(3), Tax Code, is repealed.

2-48 SECTION 4. The changes in law made by this Act apply only to
 2-49 an oil or gas well designated by the Railroad Commission of Texas as
 2-50 a two-year inactive well on or after the effective date of this Act.
 2-51 An oil or gas well designated by the Railroad Commission of Texas as
 2-52 a two-year inactive well, or as a three-year inactive well, before
 2-53 the effective date of this Act is governed by the law in effect
 2-54 immediately before that date, and the former law is continued in
 2-55 effect for that purpose.

2-56 SECTION 5. This Act takes effect September 1, 2019.

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