Ways and Means Committee Explores Need Of Oil And Gas Tax Incentive

Texas House Ways and Means Chairman **Renee Oliveira** (D-Brownsville) opened the interim committee hearing in Houston on January 13 by setting the stage with current economic conditions which will impact the upcoming 2011 legislative session: seven straight months of double digit declines in sales tax revenues (the state's largest revenue source), a looming $12 billion budget shortfall, and calls by leadership for across the board agency cuts of 2.5 to 3. 5%. Midway through the meeting, Oliveira read from his Blackberry that Speaker **Joe Straus** had just signed onto a plan to ask for 5% cuts. After reports of the state's economy by state revenue estimators, the committee heard testimony on implementation of the margins tax (franchise tax) and examination of four tax provisions for the oil and gas industry (the high cost gas exemption, the EOR credit, the marginal well tax credit and the two-year inactive tax credit). Oliveira framed the question by stating that "oil had been deregulated in the 1980's and incentives had been in place for 25 years. The technology is developed and paid for, and industry needs to explain to us in this time of shortfalls why the incentives are needed today and into the future." The high-cost gas provision, the largest of the four, allows nearly one-third of the gas produced in Texas today and 90% of new gas drilling to receive a 50% rebate for drilling and completion costs in areas designated as high cost. It can represent approximately $1 billion annually in refunds.