

TAX CODE CHAPTER 204. TAX CREDIT FOR NEW FIELD DISCOVERIES

TAX CODE

TITLE 2. STATE TAXATION

SUBTITLE I. SEVERANCE TAXES

CHAPTER 204. TAX CREDIT FOR NEW FIELD DISCOVERIES

Sec. 204.001. DEFINITIONS. In this chapter:

(1) "Commission" means the Railroad Commission of Texas.

(2) "Field" means an accumulation of oil or gas or both that is not in natural pressure communication or otherwise connected to any other accumulation of oil or gas or both.

(3) "New field" means a field that has been certified by the commission as a previously unrecognized and unidentified field.

(4) "Discovery well" means an oil or gas well by which a new field discovery is made.

(5) "Spud" means the initial penetration of the earth by the drill bit for an oil or gas well under proper permit from the commission.

(6) "Completed" means the well has been equipped to produce hydrocarbons and the commission has been notified as required by commission rules.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.002. TAX CREDIT FOR NEW FIELD DISCOVERIES.

(a) Persons who obtain a certification of a new field discovery from the commission as the result of a discovery well spudded during the period of January 1, 1994, through December 31, 1994, are eligible for a tax credit applicable against the taxes imposed by Chapters 201 and 202 upon the commission notifying the comptroller that 521 new fields have been discovered as the result of wells spudded during 1994.

(b) The amount of the tax credit shall be as follows:

(1) \$10,000 for each discovery well spudded during 1994 if the number of discovery wells spudded that year is 521 or more, but less than 721;

(2) \$25,000 for each discovery well spudded during 1994 if the number of discovery wells spudded that year is 721 or more.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.003. CERTIFICATION OF NEW FIELD DISCOVERY.

(a) The commission shall have the authority to establish the method of determining whether a new field has been discovered. The commission may require an applicant for a new field discovery to provide the commission with any relevant information required to administer this chapter. Upon determining that a well spudded during 1994 resulted in the discovery of a new field, the commission shall furnish a certificate of new field discovery to the applicant.

(b) For purposes of obtaining a tax credit under this chapter, applications for new field discoveries must be made to the commission within 90 days of the date the discovery well is completed in the proposed new field. In no event will an application for new field discovery be accepted by the commission, for purposes of obtaining a tax credit, after 180 days from the cessation of drilling operations.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.004. TAX CREDIT FOR ADDITIONAL WELLS IN A NEW FIELD. Upon the commission notifying the comptroller that 842 discovery wells have been spudded in 1994, persons obtaining a new field discovery during that year shall be eligible for an additional \$25,000 tax credit for each additional well spudded and producing from that field, within 10 years from the spud date of the discovery well. The tax credit is available to persons who obtain a new field discovery regardless of who drills the additional well.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.005. APPLICATION. To qualify for the tax credit, a person who receives a new field discovery certificate from the commission must apply to the comptroller. The comptroller shall approve the application of a person who demonstrates eligibility

for a tax credit. The comptroller shall have the power to establish procedures in order to comply with this chapter and may require a person applying for the tax credit to provide any relevant information. The commission shall immediately notify the comptroller in writing if it determines that the new field designation obtained by the applicant has been revoked or if it discovers any information that affects the tax credit.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.006. APPLICABILITY OF TAX CREDIT. (a) Tax credits earned under this chapter may only be applied against the severance taxes imposed by Chapters 201 and 202 of this code. The tax credit may not be used until September 1, 1995, and may not be used after August 31, 2000. The tax credit may be applied to either oil or gas severance taxes regardless of the field from which the production originates.

(b) Tax credits provided under this chapter shall only be available if at the time the application for a tax credit is made, the discovery well that is the basis for the tax credit is producing oil or gas from the discovery field.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.007. TRANSFERABILITY OF TAX CREDIT. The tax credit earned under this chapter is fully transferable.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.008. REVOCATION OF NEW FIELD DESIGNATION. (a) If the commission determines that a designated new field is connected with another recognized field, the tax credit provided by this chapter is canceled.

(b) Persons responsible for paying the severance tax will not be liable for any taxes offset by tax credits available under this chapter prior to the date of cancellation unless the tax credits were obtained in violation of this chapter or any rules or orders of the commission.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.009. PENALTIES. (a) Any person who makes or subscribes any application, report, or other document and submits it to the commission to form the basis for an application for a tax credit under this chapter knowing that the application, report, or other document is false or untrue in a material fact may be subject to the penalties imposed by Chapters 85 and 91, Natural Resources Code.

(b) Upon notice from the commission that the certification for a new field discovery has been revoked, the tax credit may not be applied to oil or gas production sold after the date of notification. Any person who violates this subsection is liable to the state for a civil penalty if the person applies or attempts to apply the tax credit allowed by this chapter after the certification for new field discovery is revoked. The amount of the penalty may not exceed the sum of:

(1) \$10,000; and

(2) the difference between the amount of taxes paid or attempted to be paid and the amount of taxes due.

(c) The attorney general may recover a penalty under Subsection (b) in a suit brought on behalf of the state. Venue for the suit is in Travis County.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.

Sec. 204.010. RULES AND ORDERS. The commission has broad discretion in administering this chapter and may adopt and enforce any appropriate rules or orders that the commission finds necessary to administer this chapter.

Added by Acts 1993, 73rd Leg., ch. 1014, Sec. 1, eff. Sept. 1, 1993.