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## FISCAL IMPACT REPORT

 NSOR: HBIC DATE TYPED: 02/09/02 HB 388/HBICS

SHORT TITLE: Tax Credit for Produced Water SB \_\_\_\_\_

ANALYST: Smith

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(10.0)	(50.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Taxation and Revenue Department

### SUMMARY

#### Synopsis of Bill

House Business and Industry Substitute for House Bill 388 provides a new income tax credit for oil and gas operators who produce and deliver water as a byproduct of the oil and gas production process. The credit amount would be \$1,000 per acre foot of water up to a maximum of \$400 thousand per operator per year. The water would have to be delivered to the Interstate Stream Commission at the Pecos River in compliance with State and federal water quality laws and regulations. Title to the water would be transferred to the ISC upon delivery. The credit could be claimed against the operator's personal or corporate income tax. The credit provisions would sunset January 1, 2006 .

### FISCAL IMPLICATIONS

TRD notes that although the oil and gas industry produces a considerable quantity of water as a by-product of drilling for and producing oil and gas, there are significant economic, technical and regulatory hurdles that must be overcome by a producer attempting to take advantage of this credit. For this reason, the short term fiscal impact is expected to be minor. If technical advances are made in the next several years, the amount of credits claimed could increase significantly.

SS/prr