

Texas Low Producing Oil Well incentive likely to be reinstated

Due to recent events that have sent oil prices to the mid \$20/barrel range, operators across the country will be looking for ways to lower costs, overhead, etc., to weather the current economic climate. The reduced tax rate incentive for qualifying low producing oil wells has been price capped for some time. The price of crude oil for the month of March is on the trajectory to averaging below \$30/barrel which would permit operators the ability to claim this incentive.

Tex. Tax Code Ann. § 202.058(2) provides for tax rate reductions for certain Low Producing Oil Wells if the following criterion are met:

- Well production during the preceding 90-day period is less than an average of 15 barrels of oil per day of production; and
- The Comptroller-certified average price per barrel for the reporting month is \$30 or less

Additional tax rate reduction becomes available when the certified average price per barrel for the reporting month is \$25 or less and \$22 or less.

Contacts:

If you have questions regarding the information in this alert, please contact any of the following Deloitte Tax LLP professionals:

Dwayne Van Wieren
Tax Partner
Deloitte Tax LLP
Houston, TX
dvanwieren@deloitte.com
+1 713 331 4510

Jerry Lo
Tax Senior Manager
Deloitte Tax LLP
Houston, TX
jerlo@deloitte.com
+713 982 3255

Teresa Yu
Tax Senior
Deloitte Tax LLP
Houston, TX
teyu@deloitte.com
+1 713 982 3763

For further information, visit our website at www.deloitte.com/us/multistatetax

Follow [@DeloitteTax](https://twitter.com/DeloitteTax)

This alert contains general information only and Deloitte is not, by means of this alert, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This alert is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this alert.

About Deloitte

As used in this document, "Deloitte" means Deloitte Tax LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2020 Deloitte Development LLC. All rights reserved.