

# Texas Oil and Gas Severance Taxes: An Overview of Current Law and New Legislative Changes

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July 26, 2023 Camie McKee, Bradley Potts

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**PRACTICES** Energy, Power and Natural Resources, Oil and Gas, Tax

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In separate statutes, Texas law imposes a production tax, also called a severance tax, on the gross production of oil and gas after it is extracted from the ground. For both oil and gas production, there is a general severance tax imposed on produced oil and gas, but there are a variety of exemptions imposing lower tax rates, or no taxes at all, on certain types and methods of oil and gas production. These exemptions were crafted by the Texas Legislature to incentivize wanted or disincentivize unwanted behavior in the Texas oil and gas market. In the 88th Texas Legislature session, there were a variety of proposals considered that would add or change severance tax exemptions, and by altering the value of oil and gas production through the imposition of increases or reductions in severance taxes, these legislative proposals had the potential to alter oil and gas producer incentives and behavior.

To understand how these severance tax-related legislative proposals may affect Texas oil and gas producers, as well as the implications of possible future severance tax-related legislative proposals, this alert will (1) provide an overview of the existing framework of oil and gas severance taxes in Texas, (2) discuss the policy justifications underlying the severance tax and how the tax revenues are used by the State of Texas, (3) assess the 88th Texas Legislative session's newest exemptions that will affect the severance tax beginning on September 1, 2023, and (4) analyze how this legislation will impact oil and gas producers.

Read the full article [here](#).