

SUBJECT: Exempting byproducts from IGCC plants from sales tax

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Keffer, Ritter, Bonnen, Davis, Paxton, Pena, Pitts
0 nays
2 absent — Otto, Flores

WITNESSES: For — John Kennedy, Texas Taxpayers and Research Association; James LeBas, Association of Electric Companies of Texas
Against — None

BACKGROUND: Under Tax Code, secs. 151.051 and 151.101, the state imposes a 6.25 percent sales and use tax on the price of taxable items sold in Texas or bought elsewhere for consumption in Texas. Aggregate local rates are capped at 2 percent, meaning that combined state and local rates may not exceed 8.25 percent in any locality.

An integrated gasification combined cycle (IGCC) plant is an electric plant that can isolate and capture CO₂ emissions that would be released into the atmosphere during the traditional coal-burning process. CO₂ by-product can be injected into tapped out oil fields for enhanced oil recovery. Other by-products have additional applications such as slag by-product for construction materials and hydrogen for fuel cells.

DIGEST: HB 1950 would exempt from sales and use taxation byproducts that were resulting from electric generation at a facility using integrated gasification combined cycle technology. This exemption would include sulfur, slag, and syngas.

The bill would take effect September 1, 2007.

NOTES: According to LBB, HB 1950 would have no fiscal impact to the state, because there currently are no IGCC facilities operating in Texas.