

## **BILL ANALYSIS**

C.S.H.B. 695  
By: Delisi  
Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Available and affordable potable water is a driving concern for Texas leaders in the new millennium. Desalination, the process of removing salt from seawater or other salty water to produce freshwater, has become significantly more cost-effective in recent years.

While currently not a major industry in this state, with the proper tax policy, desalination could become a major economic contributor. In addition, the growth of a Texas desalination industry could alleviate growing pressures on the state's landlocked water supply.

House Bill 695 exempts from the franchise tax a corporation engaged solely in the business of manufacturing, selling, or installing desalination devices.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

House Bill 695 amends the Tax Code to provide a deduction for the cost of desalination devices from a corporation's taxable capital or taxable earned surplus apportioned to this state. The bill limits the deductions to only those businesses that reduce or eliminate their use of surface water or groundwater.

### **EFFECTIVE DATE**

January 1, 2006.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

- Section 1. Removes (a)(1) definition of "brine".  
(a)(2) Expands definition of desalination device from a system that removes salt from "seawater" to "water".  
Adds (c) to Section 1, setting an expiration date on the section of September 1, 2016.
- Section 2. Adds (b)(3) that the device must reduce or eliminate the amount of fresh surface water or groundwater that the corporation uses.  
Adds (e) to Section 2, setting an expiration date on the section of September 1, 2016.
- Section 3. (a) Changes effective date of the act to January 1, 2006  
Removes (c), redundant transition language in subsection.