

## **BILL ANALYSIS**

H.B. 2971  
By: Chisum  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Texas and the United States face increasing gasoline prices and an ever increasing dependence on foreign sources of crude oil to produce that gasoline. Texas and the United States also face uncertainties with relation to global warming and the impact it could have on our economy.

Hydrogen has the ability to revolutionize the way the world produces and uses its energy resources. Hydrogen is a clean fuel; it can increase our energy security and become a new driver of economic growth in Texas.

Texas has all the necessary natural resources to become a leader in the hydrogen market. However, an immediate challenge is to make use of the competitive advantage Texas has with regards to hydrogen production. As a result, the purpose of HB 2971 is to provide an incentive to consumers to purchase hydrogen fuel capable vehicles by exempting carbon-free hydrogen fuel from the liquified gas tax decal or a special use liquified gas tax decal; and exempting hydrogen capable motor vehicles from the sales and use taxes. Carbon-free hydrogen is defined as hydrogen produced without carbon by-products; or uses the carbon byproducts for other uses; or that permanently geologically sequesters the carbon byproducts.

### **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**

The bill adds Section 152.090 (a) to define a hydrogen-powered vehicle as one which meets or exceeds the Phase II standards established by the California Air Resources Board as of September, 2007, for an ultra low-emission vehicle II and is hydrogen power capable with a fuel economy rating of at least 45 miles per gallon or is fully hydrogen-powered, and (b) exempts the hydrogen-powered motor vehicle from sales and use taxes.

The bill adds Section 162.3022(a) and (b) to exempt Carbon-free hydrogen from the liquefied gas tax decal or a special use liquefied gas tax decal.

The bill states Subsection (c) which defines hydrogen as carbon-free if carbon resulting from the production of hydrogen and from the generation of any electricity used in the production of hydrogen is captured and

- is permanently geologically sequestered, or
- used in the production of other carbon-based products at a rate that exceeds 90% of the carbon released in production.

Subsection(d) provides that the generation of wind power, solar power, hydroelectricity, geothermal electricity, tidal electricity, or nuclear power are considered carbon-free sources of energy.

The bill states tax liability which was in place before the enactment of this bill continue in effect. Taxes under the former law may be collected and civil and criminal enforcement may be applied in the collection of those taxes.

This Act takes effect September 1, 2007.

H.B. 2971 80(R)

**EFFECTIVE DATE**

September 1, 2007.