

By: Chisum

H.B. No. 3643

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for the production of carbon-free hydrogen.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 171, Tax Code, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. TAX CREDIT FOR PRODUCTION OF CARBON-FREE HYDROGEN

Sec. 171.601. DEFINITION OF CARBON-FREE HYDROGEN. (a) For purposes of this subchapter, hydrogen is considered to be carbon-free if:

(1) any carbon resulting from the production of the hydrogen is captured during production and:

(A) permanently geologically sequestered; or

(B) used in the production of other carbon-based products at a rate that exceeds 90 percent of the input; and

(2) any carbon resulting from the generation of any electricity used in the production of the hydrogen is captured and:

(A) permanently geologically sequestered; or

(B) used in the production of other carbon-based products at a rate that exceeds 90 percent of the input.

(b) For purposes of Subsection (a), the generation of wind power, solar power, hydroelectricity, geothermal electricity, tidal electricity, or nuclear power is considered to result in no carbon.

1       Sec. 171.602. ELIGIBILITY. A taxable entity is eligible  
2 for a credit against the tax imposed under this chapter for a period  
3 in the amount and under the conditions provided by this subchapter  
4 if, during that period:

5             (1) the taxable entity is primarily engaged in the  
6 business of producing energy sources; and

7             (2) at least 60 percent of the total amount of the  
8 energy sources the taxable entity produces is carbon-free hydrogen.

9       Sec. 171.603. CALCULATION OF CREDIT. The amount of the  
10 credit under this subchapter for a period is equal to 25 percent of  
11 the amount of the tax that would otherwise be imposed under this  
12 chapter for the period in the absence of the credit.

13       Sec. 171.604. CERTIFICATION OF ELIGIBILITY. (a) For the  
14 initial and each succeeding report on which a credit is claimed  
15 under this subchapter, the taxable entity claiming the credit shall  
16 file with the entity's report, on a form provided by the  
17 comptroller, information that sufficiently demonstrates that the  
18 entity is eligible for the credit.

19             (b) The burden of establishing entitlement to the credit is  
20 on the taxable entity.

21       Sec. 171.605. RULES. The comptroller shall adopt rules and  
22 forms necessary to implement this subchapter.

23       SECTION 2. This Act applies only to a report originally due  
24 on or after the effective date of this Act.

25       SECTION 3. This Act takes effect January 1, 2008.