

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 14, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB1950 by Anderson (Relating to an exemption from the sales tax for byproducts sold by electric generating facilities that use integrated gasification combined cycle technology.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

This summary analysis is based upon information provided by the Comptroller's Office.

The bill would amend Chapter 151 of the Tax Code to create a sales tax exemption for by-products, including sulfur, slag, and syngas, derived from the generation of electricity at an electric generating facility that uses integrated gasification combined cycle (IGCC) technology.

Currently, there are no IGCC electric generating facilities operating in Texas. This analysis assumes no IGCC facilities would become operational within the next five years. The value and subsequent amount of tax imposed on by-products purchased from IGCC facilities outside of Texas for use in this state are not known and are not likely to be significant.

Note: The bill would create a sales tax exemption based upon the status of the seller. Exemptions of this type are generally provided only for persons making limited or occasional sales of taxable items. Granting an exemption of this type for an ongoing concern could create a market advantage for the sellers described by the bill.

Note: This exemption could only be administered at the first sale of taxable items made by the IGCC facilities described by the bill. For subsequent sales, the origin of taxable items that could potentially be by-products of IGCC facilities could not be traced reliably.

Note: Sulfur is currently taxed under Chapter 203 of the Tax Code and is exempted from the sales tax under Section 151.308 of the Tax Code.

The bill would take effect September 1, 2007.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, CT