

BILL ANALYSIS

C.S.H.B. 1736
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

There are currently projects throughout the state that help control pollution by capturing methane gas that is naturally emitted by landfills. In addition to preventing the release of the harmful gas into the atmosphere, the practice removes a fire hazard and is reported to extend the life of a landfill by compressing its solid waste. Once the methane is captured, these projects convert the methane into a more environmentally friendly form of fuel.

Interested parties assert that despite their environmental benefit, these projects present economic challenges due to the heavy capital investment required and that some businesses have had to pull out of these projects altogether due to this economic strain, resulting in a relatively small number of projects of this kind in Texas. Many other states have addressed these challenges by granting property tax exemptions for methane capture and conversion projects. Although current law exempts property used for pollution control from property taxes, no laws have been enacted to address this specific situation in Texas. C.S.H.B. 1736 seeks to address some of the economic challenges facing facilities that convert landfill-generated methane into renewable natural gas.

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

C.S.H.B. 1736 amends the Tax Code to add a temporary provision, set to expire December 31, 2015, to entitle a person to a property tax exemption of the real and personal property the person owns that is located on or in close proximity to a landfill and is used, on January 1, 2014, to collect gas generated by the landfill, compress and transport the gas, process the gas so that it may be delivered into a natural gas pipeline or used as a transportation fuel in methane-powered on-road or off-road vehicles or equipment, and deliver the gas into a natural gas pipeline or to a methane fueling station. The bill establishes that such property is considered to be property used as a facility, device, or method for the control of air, water, or land pollution.

EFFECTIVE DATE

January 1, 2014.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1736 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.35 to read as follows:

Sec. 11.35
LANDFILL GENERATED METHANE
CONVERSION FACILITIES.

(a) A person is entitled to an exemption from taxation of all real and personal property owned or leased by a person that is used as part of or in connection with a Renewable Natural Gas Facility to produce Renewable Natural Gas, which collectively is a facility, device, or method for the control of air, water, or land pollution.

(b) In this section, "Renewable Natural Gas" means product gas derived from landfill gas collected at a landfill that has been processed by a Renewable Natural Gas Facility to meet either:

- (i) the gas quality requirements of the natural gas pipeline into which such product gas is injected; or
- (ii) the gas quality required for use as a transportation fuel in methane powered on-road or off-road vehicles or equipment.

(c) In this section, "Renewable Natural Gas Facility" means the real and personal property used to accomplish the collection, compression, transport and processing of landfill gas into Renewable Natural Gas either into a natural gas pipeline or by delivery to a methane fueling station and/or a methane fueling station, including dispensing equipment, if located on or in close proximity to the landfill from which the Renewable Natural Gas is produced. "Renewable Natural Gas Facility" includes wells; wellheads and related hardware; wells, pipes and equipment for injection of liquids into a landfill to enhance production

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.311 to read as follows:

Sec. 11.311. TEMPORARY EXEMPTION:
LANDFILL-GENERATED GAS
CONVERSION FACILITIES. (a) This
section applies only to real and personal
property that is used in the manner
described by Subsection (b) on January 1,
2014.

(b) A person is entitled to an exemption from taxation of the real and personal property the person owns that is located on or in close proximity to a landfill and is used to:

- (1) collect gas generated by the landfill;
- (2) compress and transport the gas;
- (3) process the gas so that it may be:
 - (A) delivered into a natural gas pipeline; or
 - (B) used as a transportation fuel in methane-powered on-road or off-road vehicles or equipment; and
- (4) deliver the gas:
 - (A) into a natural gas pipeline; or
 - (B) to a methane fueling station.

No equivalent provision.

No equivalent provision.

of landfill gas and recovery of landfill air space; all landfill gas collection system and processing equipment piping; waste liquids disposal equipment; hoses; pipelines; pumps; sumps; blowers; compressors; gas dryers; gas treatment equipment used to separate or remove carbon dioxide, sulfur and other chemicals from the product gas; valves; thermal destruction equipment, including flares and thermal oxidizers; electronic controls and processors; electric equipment; wiring; transformers; switchgear; onsite offices, storage and equipment buildings, containers, tanks and other structures; spare parts; chemical media; meters; calibration gas; gas chromatographs and other measuring equipment; valves; flanges; pipeline interconnection equipment; and fueling station equipment, including compressors, buffering vessels, methane fueling posts, hoses, fast-fill dispensers, control equipment and all related equipment.

No equivalent provision.

No equivalent provision.

SECTION 2. Section 11.43(c), Tax Code, is amended to read as follows:

(c) An exemption provided by Section 11.13, 11.131, 11.17, 11.18, 11.182, 11.1827, 11.183, 11.19, 11.20, 11.21, 11.22, 11.23(h), (j), or (j-1), 11.231, 11.254, 11.29, 11.30, ~~or 11.31~~, or 11.35, once allowed, need not be claimed in subsequent years, and except as otherwise provided by Subsection (e), the exemption applies to the property until it changes ownership or the person's qualification for the exemption changes. However, the chief appraiser may require a person allowed one of the exemptions in a prior year to file a new application to confirm the person's current qualification for the exemption by delivering a written notice that a new application is required, accompanied by an appropriate application form, to the person previously allowed the exemption.

No equivalent provision.

(c) Property described by this section is considered to be property used as a facility, device, or method for the control of air, water, or land pollution.

(d) This section expires December 31, 2015.

No equivalent provision.

SECTION 2. This Act applies only to ad valorem taxes imposed for a tax year beginning on or after the effective date of

this Act.

SECTION 3. EFFECTIVE DATE. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2013. The changes in law made by this Act apply to an application for an exemption from taxation under Section 11.31 of this chapter that is pending at the time of enactment of this Act.

SECTION 3. This Act takes effect January 1, 2014.