

SUBJECT: Sales tax exemption for wastewater used for oil and gas activities

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Keffer, Ritter, Otto, Y. Davis, Paxton, Peña, Pitts

0 nays

2 absent — Bonnen, Flores

SENATE VOTE: On final passage, April 25 — 29-0

WITNESSES: None

BACKGROUND: Under Tax Code, secs. 151.051 and 151.101, the state imposes a 6.25 percent sales-and-use tax on the price of taxable items sold in Texas or bought elsewhere for consumption in Texas.

Hydraulic fracturing is a technique used in oil and natural gas production that allows oil or natural gas to move more freely from the rock pores where they are trapped to a producing well that can bring the oil or gas to the surface.

DIGEST: SB 1816 would exempt from sales and use taxation tangible personal property specifically used to process, reuse, or recycle wastewater for use in hydraulic fracturing work performed at an oil or gas well.

The bill would take effect July 1, 2007, if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect October 1, 2007.

NOTES: According to the Legislative Budget Board, SB 1816 would result in a net negative impact of \$1.4 million in general revenue-related funds in fiscal 2008-09.