

FISCAL NOTE

The fiscal impact, in the form of increased revenues from severance taxes and ad valorem taxes, is indeterminable.

The fiscal impact is indeterminable because the specific timing and volumes of future hydrogen production cannot be estimated at this time.

This bill creates a severance tax on hydrogen production. The bill defines "Hydrogen production" as "...the separation of hydrogen from water that is produced from the ground;".

Hydrogen production will be subject to two severance tax rates:

- Hydrogen produced from by-product water as defined in W.S. 41-3-903 shall be subject to a severance tax rate of 3 percent.
- All other hydrogen produced from water shall be subject to a severance tax rate of 6 percent.

The Department of Revenue (DOR) shall annually value and assess hydrogen production at its fair market value for taxation in accordance with the applicable provisions of W.S. 39-14-202. It is assumed that this annual valuation and assessment will result in the assessment of ad valorem taxes.

The Wyoming Energy Authority (WEA) consulted with the Hydrogen Energy Research Center of the University of Wyoming, School of Energy Resources (UW SER). According to the information provided to the WEA by the UW SER, in the next five years, if announced facilities are operational, 1-2 million tonnes (metric tons) of hydrogen are expected to be produced in Wyoming.

According to the DOR, the possible severance taxes collected on the above volumes could range from \$60,000 to \$300,000 per year, assuming an average of the 3 percent and 6 percent severance tax rates. This range assumes the hydrogen would be produced from natural gas and does not include hydrogen produced using the electrolysis process.

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