



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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INTEROFFICE MEMO

March 15, 2016

**To:** All Audit Personnel  
**From:** Keith Womack  
**Subject:** Gas Compressors

Audit Division from a procedural stand to ensure consistency will audit compressors as follows:

- If there is a compressor prior to a sales meter and that compressor boosts the pressure to a specified pressure as designated in the sales agreement, that compressor will be considered exempt and not taxed.
- If the compressor is stand-alone (no other equipment in immediate vicinity), the compressor will be taxable.
- If the compressor has a Dehydrator or other equipment which basic purpose is to remove water or condensation, that compressor will be considered taxable.
- If the compressor has multiple pieces of equipment including Separators or Heater Treaters that do more than take out water or condensate, the compressor will be exempt.
- If the compressor is connected to the wellhead and is used to pull the gas out of the well, that compressor will be taxable.

These are some basic scenarios of how we will handle the taxability of compressors. Of course there are a multitude of combinations. If you have a situation that comes up and is different, please have your supervisor contact the division's SME for direction. If the consultant or taxpayer believes the compressors set up are exempt, they can proceed to hearings and prove their case.

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