

BILL ANALYSIS

C.S.H.B. 2994
By: Bonnen
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas Economic Development Act and the Property Redevelopment and Tax Abatement Act are local option economic development tools that allow the State to attract and retain jobs and large projects.

As Texas and the nation grapple with the growing demand for low-cost, reliable, clean sources of energy, opportunities exist to attract and expand large scale nuclear power facilities and other electricity producing technology. Nuclear energy currently provides nearly 14% of the energy needs in the ERCOT region, and that percentage will grow as consumers demand clean, low-cost sources of energy. Integrated gasification combined cycle (IGCC) technology is a cleaner way of using coal to produce electricity than pulverized coal. Both technologies will play an increasing role in providing clean, reliable and low-cost energy to the citizens of the State. C.S.H.B. 2994 modifies both Acts to enable local communities to offer incentives to owners of nuclear electric power generating facilities (nuclear facilities) or IGCC facilities to locate or expand in Texas.

RULEMAKING AUTHORITY

It is the opinion of the committee that this bill does not expressly delegate any additional rulemaking authority to a state officer, department, agency or institution.

ANALYSIS

SECTION 1. Adds Section 312.403 to the Tax Code allowing local government taxing units and owners of nuclear facilities to defer the effective date of tax abatement agreements under Chapter 312 to a later date agreed to by the local government taxing unit and the facility owner, but not later than the seventh anniversary of the agreement, and limiting the term of the agreement to 10 years after the effective date.

SECTION 2. Amends Section 313.021(1), Tax Code, by adding to the definition of “Qualified Investment,” property used in connection with nuclear facilities and IGCC facilities. Also amends Section 313.021(4), Tax Code, by lengthening the “Qualifying Time Period” required to place nuclear facilities in service from the first two tax years to the first seven tax years on or after the third anniversary of the approval of an owner’s application for limitations on appraised value, unless the parties agree to a shorter time period. This is necessary because the design, permitting and construction of nuclear facilities generally require at least seven years.

SECTION 3. Amends Section 313.024, Tax Code, to maintain the intent of Section 313.024(a) that entities be subject to the Texas franchise tax in order to be eligible for limitations on appraised value. Requires that nuclear facilities that receive limitations on appraised value must be owned by an entity that beginning January 1, 2008 will be required to pay Texas franchise (margin) tax. Also makes IGCC property or nuclear facility property eligible for a limitation on appraised value under Subchapter B. Makes other conforming changes.

SECTION 4. Amends Section 313.024(b) by adding nuclear facilities and IGCC facilities to the list of property uses eligible to receive limitations on appraised value.

SECTION 5. Defines “Integrated gasification combined cycle technology” and “Nuclear electric power generation.”

SECTION 6. Validates prior acts and maintains the validity of prior acts taken in the absence of this section.

SECTION 7. Effective date: upon passage or September 1, 2007, except for Section 4 which takes effect January 1, 2008.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute clarifies language in Section 313.024(a-1), Tax Code, to ensure that a property owner receiving tax limitations pursuant to Chapter 313 of the Tax Code be subject to the franchise tax on and after January 1, 2008, thereby eliminating the possibility of franchise tax avoidance.