

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 4, 2007**

**TO:** Honorable Jim Keffer, Chair, House Committee on Ways & Means

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB2148** by Bohac (Relating to an exemption from the sales tax for renewable energy technology.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2148, As Introduced: a negative impact of (\$6,260,000) through the biennium ending August 31, 2009, if the effective date of the bill is July 1, 2007; or a negative impact of (\$5,782,000) through the biennium ending August 31, 2009, if the effective date of the bill is September 1, 2007.

The table below assumes an effective date of July 1, 2007.

**All Funds, Six-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>
2007	(\$233,000)	\$0	\$0	\$0
2008	(\$2,940,000)	(\$565,000)	(\$73,000)	(\$194,000)
2009	(\$3,087,000)	(\$593,000)	(\$76,000)	(\$203,000)
2010	(\$3,241,000)	(\$622,000)	(\$80,000)	(\$214,000)
2011	(\$3,403,000)	(\$653,000)	(\$84,000)	(\$224,000)
2012	(\$3,573,000)	(\$686,000)	(\$89,000)	(\$235,000)

The table below assumes an effective date of September 1, 2007.

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>
2008	(\$2,695,000)	(\$470,000)	(\$61,000)	(\$161,000)
2009	(\$3,087,000)	(\$593,000)	(\$76,000)	(\$203,000)
2010	(\$3,241,000)	(\$622,000)	(\$80,000)	(\$214,000)
2011	(\$3,403,000)	(\$653,000)	(\$84,000)	(\$224,000)
2012	(\$3,573,000)	(\$686,000)	(\$89,000)	(\$235,000)

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code to create a sales tax exemption for "renewable energy technology" as defined under Section 39.904 of the Utilities Code and would apply to any component of or repair or replacement part for that technology. Under the provisions of the bill, renewable energy technologies would include those that rely on energy derived directly from the sun,

on wind, geothermal, hydroelectric, wave, or tidal energy, or on biomass or bio mass-based waste products, including landfill gas; however, the term would not include air source heat pumps.

The exemptions created under the bill would expire September 1, 2015.

The bill would take effect July 1, 2007 if it receives two-thirds majority votes in each house; otherwise, it would take effect September 1, 2007.

### **Methodology**

The estimate provided by the Comptroller of Public Accounts is based on gathered data from several sources, including the Energy Information Administration, on the sale of renewable energy technology. For the purpose of this analysis, the Comptroller adjusted sales data to reflect sales made in Texas and multiplied the data by the state sales tax rate. The estimates were adjusted for the potential effective dates of July 1, 2007 and September 1, 2007, and extrapolated through fiscal 2012. The Comptroller proportionally estimated the fiscal impacts on units of local government.

**Note:** Currently, renewable energy technologies purchased to generate electricity for sale are exempt from the state sales and use tax as manufacturing equipment.

### **Local Government Impact**

The fiscal impact to local government is illustrated in the above tables.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, CT, SD, EB