

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 11, 2007

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

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

IN RE: HB2969 by Chisum (Relating to the exemption from ad valorem taxation of a portion of the appraised value of real and tangible personal property used for the production, storage, distribution, or wholesale or retail sale of carbon-free hydrogen.), **As Introduced**

Passage of this bill would create a property tax exemption for certain property used in connection with the production, storage, distribution, or wholesale or retail sale of carbon-free hydrogen. As a result, taxable property values could be decreased and the related costs to the Foundation School Fund could be increased.

The bill would add Section 11.34 to the Tax Code to create a property tax exemption for carbon-free hydrogen property.

The bill would provide an exemption from property taxation of 25 percent of the appraised value of real and tangible personal property that is used for the production, storage, distribution, or wholesale or retail sale of carbon-free hydrogen. To be eligible for the exemption, the carbon-free hydrogen would have to qualify under Section 1-p, Article VIII of the Texas Constitution. The exemption would also apply to pipelines and vehicles used for the distribution of carbon-free hydrogen, but it would not apply to real or tangible personal property that was subject to a tax abatement agreement executed before January 1, 2008. The Comptroller would develop guidelines to assist local officials in administering the proposed exemption.

Because the state is constitutionally prohibited from imposing a state property tax, there would be no direct fiscal impact on the state; however, Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Passage of the bill could result in an undetermined revenue loss to the state and units of local government depending on the future amount of property value dedicated to carbon-free hydrogen projects and activities and the future applications for the proposed exemption.

The bill is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the equalized yield on those enrichment pennies would decrease, resulting in a decrease in state aid.

The bill would take effect January 1, 2008, contingent on passage and adoption of a constitutional amendment authorizing the exemption.

Local Government Impact

Passage of this bill would create a property tax exemption for certain property used in connection with the production, storage, distribution, or wholesale or retail sale of carbon-free hydrogen. As a result,

taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS