

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 26, 2007

TO: Honorable Kyle Janek, Chair, Senate Committee on S/C on Emerging Technologies & Economic Dev.

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

IN RE: SB1105 by Watson (Relating to the eligibility of property used in connection with a data center for economic benefits authorized by the Texas Economic Development Act.), **As Introduced**

Passage of the bill would result in property value limitations for “data centers.” As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill would amend Chapter 313 of the Tax Code to add "data centers" to the list of property uses eligible for a value limitation.

"Data centers" would be defined as establishments primarily engaged in providing data processing and storage services described in North American Industry Classification System (NAICS) categories 518210 and 541513.

Currently, school districts may grant value limitations to applicants that use their property for one of several specified purposes and meet other requirements. The value limitation reduces the taxpayers' school district maintenance and operations tax liability. The state holds school districts harmless for the tax levy loss.

The addition of establishments primarily engaged in providing services described by NAICS categories 518210 and 541513 to the list of eligible property uses would increase the number of projects receiving value limitations, but the extent—and timing—of any such projects cannot be predicted.

To the degree that school district tax levies were reduced under the bill, there would be an initial cost to school districts and a cost to the state through the operation of the school finance system. This cost, however, cannot be estimated.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Eligibility for a limitation on appraised value under this bill would take effect January 1, 2008.

Local Government Impact

To the degree that school district tax levies were reduced under the bill, there would be an initial cost to school districts.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, SD, SJS