

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 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: SB1710 by Hegar (Relating to the authority of certain taxing units to enter into an agreement under the Property Redevelopment and Tax Abatement Act or the Texas Economic Development Act with the owner of certain electric power generation facilities.), **As Introduced**

Currently, no nuclear electric generation facilities or integrated gasification combined cycle electric generation facilities are under construction in Texas. Because of the length of time required to build such facilities, and the length of the qualifying time period required under Chapter 313 of the Tax Code, it is unlikely that there would be significant costs to school districts or the state inside the five-year projection period used in this analysis.

The bill would amend Chapters 312 and 313 of the Tax Code, relating to tax abatements and value limitations for nuclear and integrated gasification combined cycle electric generating facilities.

SECTION 1 would add Section 312.403 to permit owners of nuclear electric power generation facilities by agreement with taxing units to defer the effective date of an abatement agreement up to seven years after the date the agreement was made.

SECTION 2 would amend Section 313.021(1) to allow value limitations on tangible personal property used in connection with nuclear or integrated gasification combined cycle electric generating facilities without regard to whether the property is affixed to or incorporated into real property. It would also amend Section 313.021(4) of the Tax Code to increase the qualifying time period in a value limitation agreement from two to seven years for nuclear electric power generation facilities, unless a shorter period was agreed to by the school district and the property owner.

SECTION 3 would amend Subsection (c) and add two new subsections to Section 313.024 to clarify that Subchapters B, C, and D of the Tax Code apply to nuclear electric power generating facilities and integrated gasification combined cycle electric generating facilities.

SECTION 4 would amend Section 313.024(b) to add nuclear electric power generating facilities and integrated gasification combined cycle electric generating facilities to the list of property use types eligible for a value limitation.

SECTION 5 would add Section 313.024(e) to define nuclear electric power generating facilities and integrated gasification combined cycle electric generating facilities.

SECTION 6 would validate governmental acts and proceedings related to the approval of tax abatements or value limitations that occurred before the effective date of the bill even though they were invalid at the time they occurred.

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. SECTION 4 would take effect January 1, 2008.

Chapter 313 of the Tax Code allows school districts to grant value limitations to certain property, which would include nuclear electric generation facilities and integrated gasification combined cycle electric generation facilities, under the bill. The value limitations result in a school district maintenance and operations property tax exemption on any appraised value above the limited value. This exemption would result in an initial cost to school districts that would be transferred to the state through the operation of the school finance mechanism of HB 1, 79th Legislature, Third Called Session (2006).

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For informational purposes, for a two-unit (1,000 MW per unit) nuclear electric generation facility costing \$2.4 billion and constructed in a rural school district with a \$10 million value limitation, the initial school district cost would be approximately \$23.9 million at a school property tax rate of \$1.00 per \$100 valuation (maintenance and operations only).

Local Government Impact

Any fiscal impact on school districts would not be significant inside the five-year projection period. There would be no effect on other local taxing units.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, SD, SJS