

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

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

**April 20, 2007**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

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

**IN RE: SJR52** by Van de Putte (Proposing a constitutional amendment to exempt from ad valorem taxation 25 percent of the assessed value of real and tangible personal property used for the production, storage, distribution, or wholesale or retail sale of carbon-free hydrogen.), **As Introduced**

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. Adoption of this resolution could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller.

Adoption of the proposed amendment could result in an undetermined revenue loss to the state 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 resolution would propose an amendment to Article VIII of the Texas Constitution to create a property tax exemption for carbon-free hydrogen property.

The proposed amendment, which would be self-enacting, would provide an exemption from property taxation of 25 percent 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.

The proposed amendment would provide that hydrogen be considered carbon-free if:

(1) any carbon resulting from the production of the hydrogen were captured during production and permanently geologically sequestered or used in the production of other carbon-based products at a rate exceeding 90 percent of the input; and,

(2) any carbon resulting from the generation of any electricity used in the production of the hydrogen were sequestered or used in the production of other carbon-based products at a rate exceeding 90 percent of input. The generation of wind power, solar power, hydroelectricity, geothermal electricity, tidal electricity, or nuclear power would be considered to result in no carbon. The exemption would not apply to real or tangible personal property subject to a tax abatement agreement executed before January 1, 2008.

The proposed amendment would authorize the Legislature by general law to prescribe procedures, including application requirements, for the administration of the exemption.

The proposed amendment would be submitted to voters at the general election on November 6, 2007, and the exemption would take effect for the 2008 tax year.

**Local Government Impact**

Adoption of the proposed amendment could result in an undetermined revenue loss to 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.

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

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