

SENATE AMENDMENTS

2nd Printing

By: Bonnen, O'Day, Branch

H.B. No. 2994

A BILL TO BE ENTITLED

AN ACT

relating to certain agreements made with electric power generation facilities under the Property Redevelopment and Tax Abatement Act and to similar agreements and compliance reports under the Texas Economic Development Act.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter C, Chapter 312, Tax Code, is amended by adding Section 312.403 to read as follows:

Sec. 312.403. TAX ABATEMENT AGREEMENT FOR NUCLEAR ELECTRIC POWER GENERATION FACILITY IN COUNTY REINVESTMENT ZONE. (a) In this section, "nuclear electric power generation" has the meaning assigned by Section 313.024(e).

(b) An agreement made under this subchapter with the owner of property that is a nuclear electric power generation facility may include a provision that defers the effective date of the agreement to a later date agreed to by the taxing unit and the owner of the property, but not later than the seventh anniversary of the date the agreement is made.

(c) If the effective date of an agreement is deferred under Subsection (b), the agreement may have a term ending not later than 10 years after the effective date of the agreement, notwithstanding Sections 312.204 and 312.208.

SECTION 2. Sections 313.021(1) and (4), Tax Code, are amended to read as follows:

(1) "Qualified investment" means:

(A) tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2002, and is described as Section 1245 property by Section 1245(a), Internal Revenue Code of 1986;

(B) tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2002, without regard to whether the property is affixed to or incorporated into real property, and that is used in connection with the manufacturing, processing, or fabrication in a cleanroom environment of a semiconductor product, without regard to whether the property is actually located in the cleanroom environment, including:

(i) integrated systems, fixtures, and piping;

(ii) all property necessary or adapted to reduce contamination or to control airflow, temperature, humidity, chemical purity, or other environmental conditions or manufacturing tolerances; and

(iii) production equipment and machinery, moveable cleanroom partitions, and cleanroom lighting; ~~[ex]~~

(C) tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2002, without regard to whether the property is affixed to or incorporated into real property, and that is used in connection with the operation of a

nuclear electric power generation facility, including:

(i) property, including pressure vessels, pumps, turbines, generators, and condensers, used to produce nuclear electric power; and

(ii) property and systems necessary to control radioactive contamination;

(D) tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2002, without regard to whether the property is affixed to or incorporated into real property, and that is used in connection with operating an integrated gasification combined cycle electric generation facility, including:

(i) property used to produce electric power by means of a combined combustion turbine and steam turbine application using synthetic gas or another product produced by the gasification of coal or another carbon-based feedstock; or

(ii) property used in handling materials to be used as feedstock for gasification or used in the gasification process to produce synthetic gas or another carbon-based feedstock for use in the production of electric power in the manner described by Subparagraph (i); or

(E) a building or a permanent, nonremovable component of a building that is built or constructed during the applicable qualifying time period that begins on or after January 1, 2002, and that houses tangible personal property described by Paragraph (A), ~~[or]~~ (B), (C), or (D).

1 (4) "Qualifying time period" means:

2 (A) the first two tax years that begin on or after
3 the date a person's application for a limitation on appraised value
4 under this subchapter is approved, except as provided by Paragraph
5 (B); or

6 (B) in connection with a nuclear electric power
7 generation facility, the first seven tax years that begin on or
8 after the third anniversary of the date the school district
9 approves the property owner's application for a limitation on
10 appraised value under this subchapter, unless a shorter time period
11 is agreed to by the governing body of the school district and the
12 property owner.

13 SECTION 3. Section 313.024, Tax Code, is amended by adding
14 Subsections (a-1) and (b-1) and amending Subsection (c) to read as
15 follows:

16 (a-1) Notwithstanding Subsection (a), this subchapter and
17 Subchapters C and D also apply to property used in the production of
18 nuclear electric power that is owned by an entity to which on and
19 after January 1, 2008, Chapter 171 of this code, as amended by
20 Chapter 1, Acts of the 79th Legislature, 3rd Called Session, 2006,
21 will apply. This subsection expires January 1, 2008.

22 (b-1) Notwithstanding Subsection (b), property used in
23 connection with electric power generation by the use of integrated
24 gasification combined cycle technology or nuclear electric power
25 generation is eligible for a limitation on appraised value under
26 this subchapter. This subsection expires January 1, 2008.

27 (c) For purposes of determining an applicant's eligibility

for a limitation under this subchapter:

(1) the land on which a building or component of a building described by Section 313.021(1)(E) [~~313.021(1)(C)~~] is located is not considered a qualified investment;

(2) property that is leased under a capitalized lease may be considered a qualified investment;

(3) property that is leased under an operating lease may not be considered a qualified investment; and

(4) property that is owned by a person other than the applicant and that is pooled or proposed to be pooled with property owned by the applicant may not be included in determining the amount of the applicant's qualifying investment.

SECTION 4. Section 313.024(b), Tax Code, as effective January 1, 2008, is amended to read as follows:

(b) To be eligible for a limitation on appraised value under this subchapter, the entity must use the property in connection with:

(1) manufacturing;

(2) research and development;

(3) a clean coal project, as defined by Section 5.001, Water Code;

(4) a gasification project for a coal and biomass mixture; ~~[or]~~

(5) renewable energy electric generation;

(6) electric power generation using integrated gasification combined cycle technology; or

(7) nuclear electric power generation.

SECTION 5. Section 313.024(e), Tax Code, is amended by adding Subdivisions (3) and (4) to read as follows:

(3) "Integrated gasification combined cycle technology" means technology used to produce electricity in a combined combustion turbine and steam turbine application using synthetic gas or another product produced from the gasification of coal or another carbon-based feedstock, including related activities such as materials-handling and gasification of coal or another carbon-based feedstock.

(4) "Nuclear electric power generation" means activities described in category 221113 of the 2002 North American Industry Classification System.

SECTION 6. Subchapter B, Chapter 313, Tax Code, is amended by adding Section 313.0408 to read as follows:

Sec. 313.0408. REPORT ON COMPLIANCE WITH AGREEMENTS. (a) Before the beginning of each regular session of the legislature, the comptroller shall submit to the lieutenant governor, the speaker of the house of representatives, and each other member of the legislature a report on grants made under this chapter that states:

(1) the number of qualifying jobs each recipient of a limitation on appraised value committed to create in this state;

(2) the number of qualifying jobs each recipient created;

(3) the median wage of the jobs each recipient created;

(4) the amount of qualified investment each recipient

1 committed to expend or allocate per project;

2 (5) the amount of qualified investment each recipient
3 expended or allocated per project;

4 (6) the market value of the qualified property of each
5 recipient;

6 (7) the limitation on appraised value for the
7 qualified property of each recipient;

8 (8) the average amount of property taxes that would
9 have been collected, if taxes were imposed on the market value of
10 each qualified property, for each job created by each recipient;

11 (9) the number of jobs created by each recipient in
12 each sector of the North American Industry Classification System
13 (NAICS); and

14 (10) of the number of direct jobs each recipient
15 created, the number of positions created that provide health
16 benefits for employees.

17 (b) The report may not include information that is made
18 confidential by law.

19 (c) The comptroller may require a recipient to submit, on a
20 form the comptroller provides, information required to complete the
21 report.

22 SECTION 7. (a) The governmental acts and proceedings of the
23 governing body of a taxing unit relating to the consideration or
24 approval of an ad valorem tax abatement agreement under Chapter
25 312, Tax Code, that occurred before the effective date of this Act,
26 or of the governing body of a school district relating to the
27 consideration or approval of a limitation on appraised value for ad

1 valorem tax purposes under Chapter 313, Tax Code, that occurred
2 before the effective date of this Act, are validated as of the dates
3 they occurred.

4 (b) The governmental acts and proceedings of the taxing unit
5 or the governing body of the taxing unit that occurred after the
6 consideration or approval of an ad valorem tax abatement agreement
7 under Chapter 312, Tax Code, or of the school district or the
8 governing body of the school district that occurred after the
9 consideration or approval of a limitation on appraised value for ad
10 valorem tax purposes under Chapter 313, Tax Code, may not be held
11 invalid on the ground that the consideration or approval of the tax
12 abatement agreement or limitation on appraised value, in the
13 absence of this section, was invalid.

14 SECTION 8. (a) Except as otherwise provided by Subsection
15 (b) of this section, this Act takes effect immediately if it
16 receives a vote of two-thirds of all the members elected to each
17 house, as provided by Section 39, Article III, Texas Constitution.
18 If this Act does not receive the vote necessary for immediate
19 effect, this Act takes effect September 1, 2007, except as provided
20 by Subsection (b).

21 (b) Section 4 of this Act takes effect January 1, 2008.

ADOPTED

MAY 23 2007

Lotay Spaw
Secretary of the Senate

By: Bonnen/Hegar

H.B. No. 2994

Substitute the following for H.B. No. 2994:

By: [Signature]

C.S. H.B. No. 2994

A BILL TO BE ENTITLED

AN ACT

relating to certain agreements made with electric power generation facilities under the Property Redevelopment and Tax Abatement Act and to similar agreements and compliance reports under the Texas Economic Development Act.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter C, Chapter 312, Tax Code, is amended by adding Section 312.403 to read as follows:

Sec. 312.403. TAX ABATEMENT AGREEMENT FOR NUCLEAR ELECTRIC POWER GENERATION FACILITY IN COUNTY REINVESTMENT ZONE. (a) In this section, "nuclear electric power generation" has the meaning assigned by Section 313.024(e).

(b) An agreement made under this subchapter with the owner of property that is a nuclear electric power generation facility may include a provision that defers the effective date of the agreement to a later date agreed to by the taxing unit and the owner of the property, but not later than the seventh anniversary of the date the agreement is made.

(c) If the effective date of an agreement is deferred under Subsection (b), the agreement may have a term ending not later than 10 years after the effective date of the agreement, notwithstanding Sections 312.204 and 312.208.

SECTION 2. Sections 313.021(1) and (4), Tax Code, are amended to read as follows:

1 (1) "Qualified investment" means:

2 (A) tangible personal property that is first
3 placed in service in this state during the applicable qualifying
4 time period that begins on or after January 1, 2002, and is
5 described as Section 1245 property by Section 1245(a), Internal
6 Revenue Code of 1986;

7 (B) tangible personal property that is first
8 placed in service in this state during the applicable qualifying
9 time period that begins on or after January 1, 2002, without regard
10 to whether the property is affixed to or incorporated into real
11 property, and that is used in connection with the manufacturing,
12 processing, or fabrication in a cleanroom environment of a
13 semiconductor product, without regard to whether the property is
14 actually located in the cleanroom environment, including:

15 (i) integrated systems, fixtures, and
16 piping;

17 (ii) all property necessary or adapted to
18 reduce contamination or to control airflow, temperature, humidity,
19 chemical purity, or other environmental conditions or
20 manufacturing tolerances; and

21 (iii) production equipment and machinery,
22 moveable cleanroom partitions, and cleanroom lighting; ~~[ex]~~

23 (C) tangible personal property that is first
24 placed in service in this state during the applicable qualifying
25 time period that begins on or after January 1, 2002, without regard
26 to whether the property is affixed to or incorporated into real
27 property, and that is used in connection with the operation of a

1 nuclear electric power generation facility, including:

2 (i) property, including pressure vessels,
3 pumps, turbines, generators, and condensers, used to produce
4 nuclear electric power; and

5 (ii) property and systems necessary to
6 control radioactive contamination;

7 (D) tangible personal property that is first
8 placed in service in this state during the applicable qualifying
9 time period that begins on or after January 1, 2002, without regard
10 to whether the property is affixed to or incorporated into real
11 property, and that is used in connection with operating an
12 integrated gasification combined cycle electric generation
13 facility, including:

14 (i) property used to produce electric power
15 by means of a combined combustion turbine and steam turbine
16 application using synthetic gas or another product produced by the
17 gasification of coal or another carbon-based feedstock; or

18 (ii) property used in handling materials to
19 be used as feedstock for gasification or used in the gasification
20 process to produce synthetic gas or another carbon-based feedstock
21 for use in the production of electric power in the manner described
22 by Subparagraph (i); or

23 (E) a building or a permanent, nonremovable
24 component of a building that is built or constructed during the
25 applicable qualifying time period that begins on or after January
26 1, 2002, and that houses tangible personal property described by
27 Paragraph (A), ~~(B)~~ (B), (C), or (D).

1 (4) "Qualifying time period" means:

2 (A) the first two tax years that begin on or after
3 the date a person's application for a limitation on appraised value
4 under this subchapter is approved, except as provided by Paragraph
5 (B); or

6 (B) in connection with a nuclear electric power
7 generation facility, the first seven tax years that begin on or
8 after the third anniversary of the date the school district
9 approves the property owner's application for a limitation on
10 appraised value under this subchapter, unless a shorter time period
11 is agreed to by the governing body of the school district and the
12 property owner.

13 SECTION 3. Section 313.024, Tax Code, is amended by adding
14 Subsections (a-1) and (b-1) and amending Subsection (c) to read as
15 follows:

16 (a-1) Notwithstanding Subsection (a), this subchapter and
17 Subchapters C and D also apply to property used in the production of
18 nuclear electric power that is owned by an entity to which on and
19 after January 1, 2008, Chapter 171 of this code, as amended by
20 Chapter 1, Acts of the 79th Legislature, 3rd Called Session, 2006,
21 will apply. This subsection expires January 1, 2008.

22 (b-1) Notwithstanding Subsection (b), property used in
23 connection with electric power generation by the use of integrated
24 gasification combined cycle technology or nuclear electric power
25 generation is eligible for a limitation on appraised value under
26 this subchapter. This subsection expires January 1, 2008.

27 (c) For purposes of determining an applicant's eligibility

1 for a limitation under this subchapter:

2 (1) the land on which a building or component of a
3 building described by Section 313.021(1)(E) [~~313.021(1)(C)~~] is
4 located is not considered a qualified investment;

5 (2) property that is leased under a capitalized lease
6 may be considered a qualified investment;

7 (3) property that is leased under an operating lease
8 may not be considered a qualified investment; and

9 (4) property that is owned by a person other than the
10 applicant and that is pooled or proposed to be pooled with property
11 owned by the applicant may not be included in determining the amount
12 of the applicant's qualifying investment.

13 SECTION 4. Section 313.024(b), Tax Code, as effective
14 January 1, 2008, is amended to read as follows:

15 (b) To be eligible for a limitation on appraised value under
16 this subchapter, the entity must use the property in connection
17 with:

18 (1) manufacturing;

19 (2) research and development;

20 (3) a clean coal project, as defined by Section 5.001,
21 Water Code;

22 (4) a gasification project for a coal and biomass
23 mixture; [~~or~~]

24 (5) renewable energy electric generation;

25 (6) electric power generation using integrated
26 gasification combined cycle technology; or

27 (7) nuclear electric power generation.

1 SECTION 5. Section 313.024(e), Tax Code, is amended by
2 adding Subdivisions (3) and (4) to read as follows:

3 (3) "Integrated gasification combined cycle
4 technology" means technology used to produce electricity in a
5 combined combustion turbine and steam turbine application using
6 synthetic gas or another product produced from the gasification of
7 coal or another carbon-based feedstock, including related
8 activities such as materials-handling and gasification of coal or
9 another carbon-based feedstock.

10 (4) "Nuclear electric power generation" means
11 activities described in category 221113 of the 2002 North American
12 Industry Classification System.

13 SECTION 6. Subchapter B, Chapter 313, Tax Code, is amended
14 by adding Section 313.032 to read as follows:

15 Sec. 313.032. REPORT ON COMPLIANCE WITH AGREEMENTS. (a)
16 Before the beginning of each regular session of the legislature,
17 the comptroller shall submit to the lieutenant governor, the
18 speaker of the house of representatives, and each other member of
19 the legislature a report assessing the progress of each agreement
20 made under this chapter. The report must be based on data certified
21 to the comptroller by each recipient of a limitation on appraised
22 value under this subchapter and state for each agreement:

23 (1) the number of qualifying jobs each recipient of a
24 limitation on appraised value committed to create;

25 (2) the number of qualifying jobs each recipient
26 created;

27 (3) the median wage of the new jobs each recipient

1 created;

2 (4) the amount of the qualified investment each
3 recipient committed to spend or allocate for each project;

4 (5) the amount of the qualified investment each
5 recipient spent or allocated for each project;

6 (6) the market value of the qualified property of each
7 recipient as determined by the applicable chief appraiser;

8 (7) the limitation on appraised value for the
9 qualified property of each recipient;

10 (8) the dollar amount of the taxes that would have been
11 imposed on the qualified property if the property had not received a
12 limitation on appraised value;

13 (9) the dollar amount of the taxes imposed on the
14 qualified property;

15 (10) the number of new jobs created by each recipient
16 in each sector of the North American Industry Classification
17 System; and

18 (11) of the number of new jobs each recipient created,
19 the number of jobs created that provide health benefits for
20 employees.

21 (b) The report may not include information that is
22 confidential by law.

23 (c) The comptroller may require a recipient to submit, on a
24 form the comptroller provides, information required to complete the
25 report.

26 SECTION 7. (a) The governmental acts and proceedings of the
27 governing body of a taxing unit relating to the consideration or

1 approval of an ad valorem tax abatement agreement under Chapter
2 312, Tax Code, that occurred before the effective date of this Act,
3 or of the governing body of a school district relating to the
4 consideration or approval of a limitation on appraised value for ad
5 valorem tax purposes under Chapter 313, Tax Code, that occurred
6 before the effective date of this Act, are validated as of the dates
7 they occurred.

8 (b) The governmental acts and proceedings of the taxing unit
9 or the governing body of the taxing unit that occurred after the
10 consideration or approval of an ad valorem tax abatement agreement
11 under Chapter 312, Tax Code, or of the school district or the
12 governing body of the school district that occurred after the
13 consideration or approval of a limitation on appraised value for ad
14 valorem tax purposes under Chapter 313, Tax Code, may not be held
15 invalid on the ground that the consideration or approval of the tax
16 abatement agreement or limitation on appraised value, in the
17 absence of this section, was invalid.

18 SECTION 8. (a) Except as otherwise provided by Subsection
19 (b) of this section, this Act takes effect immediately if it
20 receives a vote of two-thirds of all the members elected to each
21 house, as provided by Section 39, Article III, Texas Constitution.
22 If this Act does not receive the vote necessary for immediate
23 effect, this Act takes effect September 1, 2007, except as provided
24 by Subsection (b).

25 (b) Section 4 of this Act takes effect January 1, 2008.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 11, 2007

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

IN RE: HB2994 by Bonnen (Relating to certain agreements made with electric power generation facilities under the Property Redevelopment and Tax Abatement Act and to similar agreements and compliance reports under the Texas Economic Development Act.),
Committee Report 2nd House, Substituted

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 add Section 313.032 to require the Comptroller to submit to the Lieutenant Governor, the Speaker of the House of Representatives, and each other member of the Legislature a report assessing the progress of each agreement under this chapter.

SECTION 7 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.

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).

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.

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).

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.

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, CT, SD, SJS

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 1, 2007

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

IN RE: HB2994 by Bonnen (Relating to certain agreements made with electric power generation facilities under the Property Redevelopment and Tax Abatement Act and to similar agreements and compliance reports under the Texas Economic Development Act.), As **Engrossed**

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.

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).

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.

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).

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.

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, CT, SD, SJS

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 16, 2007

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

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

IN RE: **HB2994** by Bonnen (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.),
Committee Report 1st House, Substituted

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.

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).

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.

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).

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.

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, CT, SD, SJS

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 27, 2007

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

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

IN RE: HB2994 by Bonnen (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.

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).

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.

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).

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.

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, CT, SD, SJS

