LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 22, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: **HB1140** by Truitt (Relating to a franchise tax credit for the purchase and installation of solar energy devices connected to an electric transmission or distribution system.), **As Introduced**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of $10,000,000 for the 2010-11 biennium. Any loss to the Property Tax Relief Fund will have to be made up with General Revenue of the same amount to fund property tax relief.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *Property Tax Relief Fund* 304
2010	$0
2011	($10,000,000)
2012	($20,000,000)
2013	($30,000,000)
2014	($30,000,000)

Fiscal Analysis

The bill would add new Subchapter X to Chapter 171 of the Tax Code, regarding the franchise tax.

The new subchapter would be titled "Tax Credit for Purchase and Installations of Solar Energy Devices Connected to an Electric Transmission or Distribution System." The bill would define "electric cooperative," "electric utility," "municipally owned utility," and " retail customer" by reference to the Utilities Code. The bill would define "solar energy device" by reference to Section 171.107 of the Tax Code.

To qualify for the credit a taxable entity would have to be a retail customer who acquires a solar energy device for heating or cooling or for the production of power; installs the device in this state on the taxable entity's side of the meter; connects the device to a transmission or distribution system; and sells the surplus electricity produced by the device to the owner of the system.

The amount of the credit would equal 50 percent of the cost to the taxable entity of acquiring and installing the solar energy device. The credit would be limited to the amount of franchise tax due for the report. The taxable entity would be required to claim the credit in three equal installments over three consecutive reports beginning with the report covering the period during which the taxable entity incurred the costs of the device. The credit could not be conveyed or transferred to another taxable entity unless all of the assets are conveyed or transferred in the same transaction.

The Comptroller would be directed to adopt rules necessary to implement the credit.

The bill would take effect on January 1, 2010, and apply only to a report due on or after that date.

Methodology

The estimate is based on U.S. data on sales of solar energy collectors, including data from the U.S Energy Information Administration.

There would be no fiscal impact in 2010, the first year that qualified purchases of solar energy devices could be made. Credit for those purchases would first be earned on a report due in 2011.

The estimate assumes that a qualifying taxable entity meet the definition of a person excluded from the definition of an electric utility as defined in Section 31.002(6)(J)(ii) of the Utilities Code.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, SM