

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**April 27, 2009**

**TO:** Honorable Jim Keffer, Chair, House Committee on Energy Resources

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

**IN RE: HB1823** by Ortiz, Jr. (Relating to an exemption from sales and use taxation of certain energy conservation-related property.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1823, As Introduced: a negative impact of (\$45,554,000) through the biennium ending August 31, 2011, if the effective date of the bill is July 1, 2009; or a negative impact of (\$43,266,000) through the biennium ending August 31, 2011, if the effective date of the bill is September 1, 2009.

**All Funds, Six-Year Impact:**

| Fiscal Year | Probable Revenue<br>(Loss) from<br><i>General Revenue Fund</i><br><b>1</b> | Probable Revenue<br>(Loss) from<br><i>Cities</i> | Probable Revenue<br>(Loss) from<br><i>Transit Authorities</i> | Probable Revenue<br>(Loss) from<br><i>Counties</i> |
|-------------|--|--|---|--|
| 2009        | (\$460,000)  | \$0  | \$0   | \$0  |
| 2010        | (\$21,934,000)   | (\$4,079,000)                                    | (\$1,391,000)   | (\$576,000)  |
| 2011        | (\$23,160,000)   | (\$4,307,000)                                    | (\$1,469,000)   | (\$609,000)  |
| 2012        | (\$24,459,000)   | (\$4,549,000)                                    | (\$1,551,000)   | (\$643,000)  |
| 2013        | (\$25,838,000)   | (\$4,805,000)                                    | (\$1,639,000)   | (\$679,000)  |
| 2014        | (\$27,302,000)   | (\$5,078,000)                                    | (\$1,731,000)   | (\$717,000)  |

The above table assumes an effective date of July 1, 2009. The table below assumes an effective date of September 1, 2009.

| Fiscal Year | Probable Revenue<br>(Loss) from<br><i>General Revenue Fund</i><br><b>1</b> | Probable Revenue<br>(Loss) from<br><i>Cities</i> | Probable Revenue<br>(Loss) from<br><i>Transit Authorities</i> | Probable Revenue<br>(Loss) from<br><i>Counties</i> |
|-------------|--|--|---|--|
| 2010        | (\$20,106,000)   | (\$3,399,000)                                    | (\$1,159,000)   | (\$480,000)  |
| 2011        | (\$23,160,000)   | (\$4,307,000)                                    | (\$1,469,000)   | (\$609,000)  |
| 2012        | (\$24,459,000)   | (\$4,549,000)                                    | (\$1,551,000)   | (\$643,000)  |
| 2013        | (\$25,838,000)   | (\$4,805,000)                                    | (\$1,639,000)   | (\$679,000)  |
| 2014        | (\$27,302,000)   | (\$5,078,000)                                    | (\$1,731,000)   | (\$717,000)  |

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code to create a sales tax exemption for "renewable energy devices," including the system's component parts and any repair or replacement parts.

"Renewable energy device" would be defined as that portion of a system or series of mechanisms that is designed primarily to provide heating or cooling, to provide liquid or gaseous fuels, or to produce electrical or mechanical power by means of collecting, transferring, or converting renewable energy. It

would include a mechanical or chemical device that has the capacity for storing renewable energy for use in heating or cooling, in the production of power, or as liquid or gaseous fuels. It would not include air-source heat pumps.

"Renewable energy " would be defined as an energy source that is naturally regenerated over a short time scale and derived directly or indirectly from the sun or from other natural movements and mechanisms of the environment. It would include energy derived directly from the sun, wind, geothermal, hydroelectric, wave, or tidal energy, or on biomass or bio mass-based waste products, including landfill gas.

The exemption would expire September 2, 2017.

This bill would take effect July 1, 2009, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2009.

### **Methodology**

Sales of renewable energy devices were estimated based on data gathered from a variety of sources including the Energy Information Administration. Sales were adjusted to reflect Texas sales; multiplied by the state sales tax rate; adjusted for the potential effective dates of July 1, 2009 and September 1, 2009; and extrapolated through fiscal 2014.

### **Local Government Impact**

There would be a proportional loss of sales tax revenue to units of local government.

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

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