

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: HB2184 by Leibowitz (Relating to a franchise tax credit for building new single-family homes or duplexes that exceed certain energy efficiency standards.), **As Introduced**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$17,997,254 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 <i>Property Tax Relief Fund</i> 304	Probable Savings/(Cost) from <i>Texas Emissions Reduction</i> <i>Plan</i> 5071	Change in Number of State Employees from FY 2009
2010	\$0	(\$476,627)	4.0
2011	(\$17,044,000)	(\$476,627)	4.0
2012	(\$19,728,000)	(\$476,627)	4.0
2013	(\$21,023,000)	(\$953,254)	4.0
2014	(\$21,426,000)	(\$476,627)	4.0

Fiscal Analysis

The bill would add new Subchapter V to Chapter 171 of the Tax Code, regarding the franchise tax. The bill would add provisions for a tax credit for certain energy-efficient homebuilding. The bill would define "homebuilder" and specify that "state energy code" means the code adopted in the Health and Safety Code.

A taxable entity would qualify for a credit if the entity is a homebuilder and builds a new single-family home or duplex in this state that has an energy efficiency exceeding the standards prescribed by the state energy code by specified amounts. The credit would equal \$10,000 for each single-family home or duplex that exceeded the standards by at least 15 percent but less than 20 percent; \$15,000 for housing units exceeding the standard by 20 percent but less than 25 percent; \$20,000 for housing units exceeding the standard by 25 percent but less than 30 percent; and \$25,000 per housing unit exceeding

the standard by more than 30 percent.

The amount of credit that could be claimed on a report would be limited to the amount of franchise tax due on the report. The credit could only be claimed on the report for the period in which the housing units producing the credit were completed. The credit could not be carried forward or assigned. The claim for a credit would be required to have a certification from the self certification program of the Energy Systems Laboratory of the energy efficiency of each unit that is the base for the credit claimed.

The Comptroller would adopt rules to implement the bill's provisions.

The Energy Systems Laboratory (Laboratory), at the Texas Engineering Experiment Station of the Texas A&M University System will develop the above code certificate and extend the International Code Compliance Calculator (IC3) to include updates to the ICC codes in 2013 with ongoing support for new users in all years. In addition to verifying the new energy use reductions, this will include compliance with all Federal standards for the development of simulation programs for tax credits, validations of calculated savings with site inspections throughout Texas, training homebuilders, code officials and Home Energy Raters, as well as providing the required purchase and maintenance of redundant computer servers to house the state-wide database of above code savings expected to exceed one million users within a five year period. Although the costs of implementation are covered by the statutory authorization of TERP fund to the Laboratory, additional TERP funds would need to be appropriated.

The bill would become effective on January 1, 2010, and apply to a report due on or after that date.

Methodology

The estimated fiscal impact is based on information from the Energy Systems Laboratory at Texas A&M University, the Comptroller's state economic forecast for new home construction, and 2008 franchise tax report data. The estimate assumes that 2 percent of newly constructed units would qualify for a credit.

There would be no fiscal impact to the Property Tax Relief Fund in 2010. Credit based on homes constructed in 2010 could first be claimed on a report due in 2011.

The methodology for calculating the above-code savings is based on the experience of the Energy Systems Laboratory in developing the International Code Compliance Calculator (IC3), as well as the development of training workshops to support the IC3. The costs are based on the Laboratory's best estimate of the resources needed to deliver the work in a timely fashion.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 712 Texas Engineering Experiment Station

LBB Staff: JOB, MN, SD, SM