

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 6, 2009

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

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

IN RE: HB2338 by Villarreal (Relating to the refund of the sales taxes imposed on real property repair and remodeling services for certain energy efficient facilities.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2338, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	(\$3,958,000)
2013	(\$4,606,000)
2014	(\$5,384,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2009
2010	\$0	\$0	0.0
2011	\$0	\$0	0.0
2012	(\$3,240,000)	(\$718,000)	9.0
2013	(\$3,888,000)	(\$718,000)	9.0
2014	(\$4,666,000)	(\$718,000)	9.0

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding the sales tax, to allow the owner of a facility designated as "Energy Star" or "Designed to Earn the Energy Star" by the U.S. Environmental Protection Agency to apply to the Comptroller for a refund of state sales tax paid on real property repair and remodeling services performed on the facility.

For an Energy Star designated facility, the owner could ask for a refund for tax paid on services performed on the facility in the 18 months preceding the 12-month period in which the facility's energy usage formed the basis of the designation. For a Designed to Earn the Energy Star facility, the refund could be claimed for services performed in the 18 months immediately following the date of designation.

The Comptroller could require a person applying for a refund to provide documentation of taxes paid that are claimed for refund and documentation establishing the existence of a facility's designation by the U.S. Environmental Protection Agency.

Taxes paid on construction materials and taxes paid before the effective date of the bill would not be eligible for the refund.

The bill would take effect September 1, 2009.

Methodology

The value of real property repair and remodeling services performed on Energy Star designated facilities was estimated based on data gathered from the US Environmental Protection Agency and Comptroller tax files. The value of the services was adjusted to reflect amounts that would be eligible for refund based on the timing restrictions in the bill; multiplied by the state sales tax rate; and extrapolated through fiscal 2014.

Labor charges for the construction of new facilities receiving the Designed to Earn the Energy Star designation are currently exempt from the sales tax.

The Comptroller indicates they will need to hire an additional 9 FTEs to handle the increased workload from the tax refund program beginning in fiscal year 2012.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, KK