

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**April 21, 2009**

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

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

**IN RE: HB3965** by Dunnam (Relating to the exemption from ad valorem taxation for certain property used to control pollution.), **As Introduced**

**Passage of the bill would create a property tax exemption for pollution control property used under an agreement with a governmental entity to process and deliver waste to a common carrier to displace a natural resource or to process and convert waste to energy provided to a governmental entity. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.**

The bill would amend Section 11.31 of the Tax Code to extend the pollution control property exemption to persons manufacturing or producing products or services that prevent, monitor, control, or reduce air, water, or land pollution under an agreement with a governmental entity to capture and convert waste (including gas) from public property, if the product or service is used to process and deliver waste to a common carrier to displace a natural resource, or to process and convert waste to electrical or other useful energy provided to a governmental entity.

The bill would create a cost to taxing units and to the state through the operation of the school finance formulas because it would exempt a new category of pollution control property. The cost would be limited to pollution control property used under an agreement with a governmental entity to process and deliver waste to a common carrier to displace a natural resource or to process and convert waste to energy provided to a governmental entity. No information is available regarding the amount of property that would qualify under the bill. Consequently, the cost cannot be estimated.

The bill would also require the Texas Commission on Environmental Quality (TCEQ) to include the new category of pollution control property in their nonexclusive list of property types that may qualify for the exemption. In making an additional type of property eligible for a positive determination, the number of applications filed is expected to increase as will fee revenue currently authorized under Tax Code §11.31(f). TCEQ estimates that these additional revenue collections will cover the additional costs. The bill would take effect on January 1, 2010.

**Local Government Impact**

The bill would create a cost to local taxing units because it would exempt a new category of pollution control property. The cost would be limited to pollution control property used under an agreement with a governmental entity to process and deliver waste to a common carrier to displace a natural resource or to process and convert waste to energy provided to a governmental entity. No information is available regarding the amount of property that would qualify under the bill. Consequently, the cost cannot be estimated.

**Source Agencies:** 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality

**LBB Staff:** JOB, MN, SD, SJS