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: **HB4639** by Lucio III (Relating to a franchise tax credit for certain investments made in relation to certain renewable energy technology systems.), **As Introduced**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of $31,000,000 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	($31,000,000)
2012	($31,000,000)
2013	($31,000,000)
2014	($31,000,000)

Fiscal Analysis

The bill would add new Subchapter V to Chapter 171 of the Tax Code, regarding the franchise tax. The new subchapter would provide a tax credit for investments in certain renewable energy technology systems.

The bill would define the terms "actual cost," "renewable energy technology system," and "renewable source of energy." The definition of "actual cost" would deduct from cost any incentives relating to the system or costs for which any other type of tax credit is claimed. Under this bill, a taxable entity would qualify for a credit against the franchise tax if the entity places into service in this state a new renewable energy technology system. The amount of credit earned would depend on the type of renewable energy technology system the taxable entity installs. The credit for a wind-powered system would be the lesser of 20 percent of the actual cost or $500,000. The credit for a solar thermal energy system would be the lesser of 35 percent of the actual cost or $250,000. The credit for a photovoltaic energy system would be the lesser of 35 percent of the actual cost or $500,000.

A taxable entity would have to claim the credit on the report based on the accounting period in which the renewable energy system was first placed into service in this state. The amount of credit claimed on a report could not exceed the amount of tax due after other applicable credits. Credit that could not be used on a report because of the limitation could be carried forward on consecutive reports. A taxable entity could not assign or transfer the credit to another entity.

The Comptroller would adopt rules necessary to implement the credit provisions.

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

Methodology

There would be no fiscal impact from this bill in fiscal 2010 since expenditures that could qualify for the credit could not be made until after the effective date of the bill. The first report on which such expenditures could be reported would be due in fiscal 2011.

The fiscal impact for 2012 and 2014 relies partly on the experience with wind energy systems which have applied for limitation of appraised value under Chapter 313 of the Tax Code. In addition, data from the Energy Information Administration was used.

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