

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 6, 2009

TO: Honorable Chris Harris, Chair, Senate Committee on Economic Development

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

IN RE: SB1778 by Harris (Relating to the eligibility of property used in connection with a data center for economic benefits authorized by the Texas Economic Development Act.), **As Introduced**

Passage of the bill would qualify data centers for a limitation on appraised value. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased.

The bill would amend Section 313.024(b) of the Tax Code to expand the industry eligibility criteria for a limitation on appraised value to include "data centers."

The bill would amend Section 313.024(e) of the Tax Code to define a data center as an establishment primarily engaged in providing electronic data processing and storage services described by the six digit North American Industry Classification System (NAICS) codes 518210 and 541513.

NAICS industry 518210 is defined as Data Processing, Hosting, and Related Services. Industry 541513 is defined as Computer Facilities Management Services. The Texas Workforce Commission (TWC) produces estimates at the four digit level.

While the number of new applicants eligible to apply for Chapter 313 limitations cannot be determined, it could increase given the growth of these industries.

The fiscal impact on the state of adding an eligibility category would be expected to be negative but cannot be determined. State implications would occur through additional costs to the Foundation School Program.

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

Local Government Impact

Passage of the bill would qualify data centers for a limitation on appraised value. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, SD, SJS