

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 20, 2011**

**TO:** Honorable Jim Keffer, Chair, House Committee on Energy Resources

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

**IN RE: HB3254** by Strama (Relating to the creation of renewable energy reinvestment zones and the abatement of ad valorem taxes on property of a renewable energy company located in such a zone.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would create new Chapter 314 of the Tax Code regarding property tax abatement in a renewable energy reinvestment zone. The bill would apply only to a city that has a population of at least 45,000, but not more than 60,000, and that is located in a county with a population of at least one million, and that does not contain within its corporate limits more than two school districts that are categorized as category II school districts under Section 313.022 of the Tax Code or any school districts to which Subchapter C, Chapter 313 of the Tax Code applies.

The bill would define renewable energy company and allow a city to establish a renewable energy reinvestment zone. The city would be required to hold a public hearing, to designate the reinvestment zone with specified boundaries by ordinance, and to establish guidelines and criteria governing tax abatements in the zone. Only areas that are at least 100 acres, at least 75 percent owned by the city designating the zone or owned by a municipal development corporation, and zoned for commercial purposes would be eligible for designation as a renewable energy reinvestment zone.

The city would be permitted to abate 50 percent of the value of the real and personal property owned by a renewable energy company in the zone for 15 years on the condition that the company construct a facility on the property to be used in connection with the company's operations as specified by the abatement agreement. The specific terms of a tax abatement agreement would be required to (among other conditions) provide for recapturing property tax revenue lost as a result of the agreement if the owner of the property fails to make the agreed improvements. A tax abatement agreement could be terminated or modified by agreement of the parties, but not to extend the term beyond the original 15 years.

Counties and school districts would be permitted to participate in the tax abatement agreement.

To the extent that cities, counties and school districts participate in property tax abatements in renewable energy reinvestment zones under the bill, the bill would create a cost to these units of local government. The future tax abatement participation by these units of local government cannot be predicted so the fiscal impact on units of local government cannot be estimated. There would be no fiscal impact to the state through the operation of the school funding formula because no value would be deducted in the Comptroller's property value study for the abated value in school districts that choose to participate.

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, 2011.

## **Local Government Impact**

To the extent that cities, counties and school districts participate in property tax abatements in renewable energy reinvestment zones under the bill, the bill would create a cost to these units of local government.

### **Source Agencies:**

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