

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 26, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB3479 by Christian (Relating to the rate and amount of the sales and use taxes imposed on certain equipment sold, leased, or used by certain data centers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3479, As Introduced: a negative impact of (\$95,500,000) through the biennium ending August 31, 2013.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	(\$41,900,000)
2013	(\$53,600,000)
2014	(\$60,100,000)
2015	(\$63,200,000)
2016	(\$66,200,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties and Special Districts</i>
2012	(\$41,900,000)	(\$9,700,000)	(\$3,000,000)	(\$1,700,000)
2013	(\$53,600,000)	(\$12,400,000)	(\$3,900,000)	(\$2,200,000)
2014	(\$60,100,000)	(\$13,900,000)	(\$4,400,000)	(\$2,400,000)
2015	(\$63,200,000)	(\$14,700,000)	(\$4,600,000)	(\$2,600,000)
2016	(\$66,200,000)	(\$15,400,000)	(\$4,800,000)	(\$2,700,000)

Fiscal Analysis

The bill would amend Chapters 151, 321, 322, and 323 of the Tax Code, regarding the state and local sales and use tax imposed on certain tangible property sold to qualified data centers.

The bill adds Sec. 151.0516 to the Tax Code, which defines a “data center”, a “qualifying data center”, a “permanent job”, and a “qualifying job”. Under the bill, data centers located in the state that met certain conditions described in the bill would have the state sales tax rate on the purchase of tangible personal property used to manage or operate the data center reduced from 6.25 percent to 1 percent. In addition, the amount of tax imposed on the sale of each item of tangible personal property described under this section may not exceed \$80. A qualifying data center would be eligible for the rate reduction and tax limitation for 10 years after they initially qualify for the rate reduction and tax limitation.

Tangible personal property eligible for the reduced rate would include electricity, an electrical system,

a cooling system, an emergency generator, hardware or a distributed mainframe computer or server, a data storage device, network connectivity equipment, a peripheral component or system, and a component part of any of the aforementioned tangible personal property.

The bill would exempt the purchase of tangible personal property described above from the local sales and use tax.

The bill would take effect September 1, 2011.

Methodology

The loss of state and local sales and use tax revenue from the reduced rate and tax limitation was estimated by the Comptroller of Public Accounts. It was assumed that one new data center that meets the requirements of a qualified data center would open in Texas each year. In addition, because the bill does not limit its provisions to new facilities built after the effective date, it is assumed that ten data centers currently exist in the state that would qualify for the reduced tax rate and tax limitation when purchasing electricity, replacement servers, and related equipment.

Local Government Impact

There would be a proportional loss of sales and use tax revenue to local taxing jurisdictions.

Source Agencies: 304 Comptroller of Public Accounts

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