

BILL ANALYSIS

C.S.H.B. 2500
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties assert that the method for appraising solar facilities for property tax purposes is unclear and that this ambiguity has produced inconsistent results by the state's appraisal districts. It has also been reported that some investors are discouraged from looking at utility-scale projects in Texas due to cost implications of such an ambiguity. The parties are concerned that, in contrast to conventional and other alternative electric generating facilities, the unique nature of solar technology's rapid evolution makes it difficult for appraisal districts to accurately determine the value of a solar facility. C.S.H.B. 2500 seeks to clarify the process for appraising certain solar property to ensure that Texas is competitive with other states in its efforts to promote this growing alternative energy industry.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2500 amends the Tax Code to require a chief appraiser to use the cost method of appraisal to determine for property tax purposes the market value of solar energy property that is used for a commercial purpose, including commercial storage devices, power conditioning equipment, transfer equipment, and necessary parts for the devices and equipment, and that is constructed or installed on or after January 1, 2014. The bill requires the chief appraiser, in determining the market value of solar energy property using the cost method of appraisal, to use cost data obtained from generally accepted sources; make any appropriate adjustment for physical, functional, or economic obsolescence and any other justifiable factor; and calculate the depreciated value of the property by using a useful life that does not exceed 10 years. The bill prohibits the chief appraiser from determining in any tax year the depreciated value to be less than 20 percent of the value computed after making the appropriate adjustments for obsolescence and other justifiable factors to the value determined by using cost data obtained from generally accepted sources.

EFFECTIVE DATE

January 1, 2014.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2500 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Subchapter B, Chapter 23, Tax Code, is amended by adding Section 23.26 to read as follows:

Sec. 23.26. SOLAR ENERGY PROPERTY. (a) In this section, "solar energy property" has the meaning assigned to "solar energy device" by Section 11.27(c)(1) and includes commercial storage devices, power conditioning equipment, transfer equipment, and necessary parts for the devices and equipment.

(b) The chief appraiser shall use the cost method of appraisal to determine the market value of solar energy property.

(c) To determine the market value of solar energy property using the cost method of appraisal, the chief appraiser shall:

(1) use cost data obtained from generally accepted sources;

(2) make any appropriate adjustment for physical, functional, or economic obsolescence; and

(3) calculate the depreciated value of the property by using a useful life that does not exceed five years.

SECTION 2. This Act applies only to an ad valorem tax year that begins on or after the effective date of this Act.

SECTION 3. This Act takes effect January 1, 2014.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subchapter B, Chapter 23, Tax Code, is amended by adding Section 23.26 to read as follows:

Sec. 23.26. SOLAR ENERGY PROPERTY. (a) In this section, "solar energy property" means a "solar energy device" as defined by Section 11.27(c)(1) that is used for a commercial purpose, including a commercial storage device, power conditioning equipment, transfer equipment, and necessary parts for the device and equipment.

(b) This section applies only to solar energy property that is constructed or installed on or after January 1, 2014.

(c) The chief appraiser shall use the cost method of appraisal to determine the market value of solar energy property.

(d) To determine the market value of solar energy property using the cost method of appraisal, the chief appraiser shall:

(1) use cost data obtained from generally accepted sources;

(2) make any appropriate adjustment for physical, functional, or economic obsolescence and any other justifiable factor; and

(3) calculate the depreciated value of the property by using a useful life that does not exceed 10 years.

(e) The chief appraiser may not in any tax year determine the depreciated value under Subsection (d)(3) to be less than 20 percent of the value computed after making appropriate adjustments under Subsection (d)(2) to the value determined under Subsection (d)(1).

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.