

## **BILL ANALYSIS**

Senate Research Center

H.B. 2712  
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Finance  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Energy storage is an emerging technology which can be utilized in non-attainment areas as a means of reducing the emissions from large utility-scale generators. Storage technologies include batteries, flywheels, and compressed air energy systems. Energy storage mitigates emissions and helps control pollution in a number of ways.

Energy storage provides frequency regulation to the grid, which prevents or minimizes the impact of frequency fluctuations. In the event of a blackout, energy storage can provide the extra time needed for industrial facilities to avoid any upsets.

Because energy storage is emission free where it discharges, the storage facility can provide energy, while avoiding pollution issues generally associated with generation facilities. Energy storage is a relatively new technology, and is not included in Section 11.31 (Pollution Control Property), Tax Code, relating to the pollution control property tax exemption. By allowing storage facilities that locate within a federally designated non-attainment area to qualify for the pollution control property tax exemption, large scale generators and industrial facilities would have similar incentives to install this technology to the benefit of Texas.

H.B. 2712 amends current law relating to the exemption from ad valorem taxation of energy storage systems used for the control of air pollution in a nonattainment area.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter B, Chapter 11, Tax Code, by adding Section 11.315, as follows:

Sec. 11.315. ENERGY STORAGE SYSTEM IN NONATTAINMENT AREA. (a) Defines "energy storage system" in this section.

(b) Entitles a person to an exemption from taxation by a taxing unit of an energy storage system owned by the person if:

(1) the exemption is adopted by the governing body of the taxing unit in the manner provided by law for official action by the governing body; and

(2) the energy storage system:

(A) is used, constructed, acquired, or installed wholly or partly to meet or exceed 40 C.F.R. Section 50.11 or any other rules or regulations adopted by any environmental protection agency of the United States, this state, or a political subdivision of this state for the prevention, monitoring, control, or reduction of air pollution;

(B) is located in an area designated as a nonattainment area within the meaning of Section 107(d) of the federal Clean Air Act (42 U.S.C. Section 7407), and a municipality with a population of at least 100,000 adjacent to a municipality with a population of more than two million;

(C) has a capacity of at least 10 megawatts; and

(D) is installed on or after January 1, 2014.

(c) Authorizes an exemption adopted under this section, once authorized, to be repealed by the governing body of a taxing unit in the manner provided by law for official action by the governing body.

SECTION 2. Amends Section 11.43(c), Tax Code, to provide that an exemption provided by certain sections, including Section 11.315, once allowed, need not be claimed in subsequent years, and except as otherwise provided by Subsection (e) (relating to providing that, except as provided by certain sections, if a person required to apply for an exemption in a given year fails to file timely a completed application form, the person may not receive the exemption for that year), the exemption applies to the property until it changes ownership or the person's qualification for the exemption changes.

SECTION 3. Amends Section 26.012(6), Tax Code, to redefine "current total value" to mean the total taxable value of property listed on the appraisal roll for the current year, including all appraisal roll supplements and corrections as of the date of the calculation, less the taxable value of property exempted for the current tax year for the first time under Section 11.31 (Pollution Control Property) or 11.315, except that the current total value for a school district excludes certain values, and the current total value for a county, municipality, or junior college district excludes the total value of homesteads that qualify for a tax limitation provided by Section 11.261 (Limitation of County, Municipal, or Junior College District Tax on Homesteads of Disabled and Elderly).

SECTION 4. Provides that this Act applies only to ad valorem taxes imposed for a tax year that begins on or after the effective date of this Act.

SECTION 5. Effective date: January 1, 2014.