

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 15, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1736** by Anchia (relating to a temporary exemption from ad valorem taxation of property used to collect, process, and deliver landfill-generated gas.), **Committee Report 1st House, Substituted**

Passage of the bill would temporarily exempt property located in or in close proximity to a landfill and used to collect, compress, transport, process and deliver gas generated by the landfill into a pipeline or methane fueling station. As a result, taxable property values would be reduced and the related costs to the Foundation School Fund would be increased through the operation of the school finance formulas, however the costs would be limited to FY 2015.

This bill would amend Chapter 11 of the Tax Code, related to taxable property and exemptions, to provide a temporary property tax exemption for real and personal property located in or in close proximity to a landfill and used to collect, compress, transport, process and deliver gas generated by the landfill into a pipeline or methane fueling station. The exemption would apply only to property that was used in the manner described above on January 1, 2014, and would expire on December 31, 2015.

Property used as described above would be considered to be property used as a facility, device, or method for the control of air, water, or land pollution.

The bill's temporary exemption of property located in or in close proximity to a landfill and used to collect, compress, transport, process and deliver gas generated by the landfill into a pipeline or methane fueling station would cause a fiscal impact on units of local government and the state through the operation of the school finance formulas.

Information from the Texas Commission on Environmental Quality indicates that one company filed an application for a pollution control property exemption determination on methane capture and associated equipment that did not qualify for the pollution control exemption under current law (Section 11.31, Tax Code). This property would be likely to qualify under the bill. The company's reported cost of this property was about \$10 million. At a typical school district tax rate the one-year (fiscal 2015) property tax revenue loss to a school district, should this amount be exempted, would be about \$130,000 with a large fraction of this revenue loss being transferred to the state through the operation of the school finance formula. The amount of other property that would qualify on January 1, 2014 for the one-year property tax exemption under the bill is unknown. Consequently, the fiscal impact cannot be estimated, but would be limited to fiscal 2015.

The bill would take effect on January 1, 2014.

Local Government Impact

Passage of the bill would temporarily exempt property located in or in close proximity to a landfill and used to collect, compress, transport, process and deliver gas generated by the landfill into a pipeline or methane fueling station. As a result, taxable property values and the related ad valorem tax revenue for units of local government would be reduced, however the cost would be limited to FY 2015.

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Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS