

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 14, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2712 by Perez (Relating to the exemption from ad valorem taxation of energy storage systems used for the control of air pollution in a nonattainment area.), **As Engrossed**

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| No fiscal implication to the State is anticipated. |
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This bill would amend Chapter 11, Tax Code, by adding Section 11.315, that would provide the local option for taxing units to adopt a property tax exemption of an energy storage system that 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 local, state or federal environmental protection agency for the prevention, monitoring, control, or reduction of air pollution and that:

- 1) is located in a federal nonattainment area;
- 2) is located in a city with a population of at least 100,000 adjacent to a municipality with a population of more than two million;
- 2) has a capacity of at least 10 megawatts; and
- 3) is installed on or after January 1, 2014.

Once a local taxing unit adopts the exemption, the governing body of the taxing unit in the manner provided by law for official action may repeal the exemption.

The bill would define "energy storage system" as a device capable of storing energy to be discharged at a later time, including a chemical, mechanical, or thermal storage device.

The bill would amend Section 26.012, Tax Code to require the deduction of the value of qualified energy storage systems from the current total value used in effective tax rate calculations in the first year they are exempt.

The bill would authorize local taxing units in a particular city adjacent to Houston to adopt a pollution control exemption for energy storage system property. If a school district in that city adopted the exemption, there would be no cost to the state through the operation of the school funding formula because the lost property value would not be deducted from the school district value determined in the Comptroller's property value study used for school funding purposes. There would be a cost to local governments in one city to the extent that a taxing unit adopts the exemption. The future actions of local taxing units cannot be predicted and there is no information available regarding the amount of energy storage system value that could be exempt in the future. Consequently, the fiscal impact cannot be estimated.

The bill would take effect on January 1, 2014.

Local Government Impact

The bill would authorize local taxing units in a particular city adjacent to Houston to adopt a pollution control exemption for energy storage system property. If a school district in that city adopted the exemption, there would be no cost to the state through the operation of the school funding formula because the lost property value would not be deducted from the school district value determined in the Comptroller's property value study used for school funding purposes. There would be a cost to local governments in one city to the extent that a taxing unit adopts the exemption.

Source Agencies: 304 Comptroller of Public Accounts

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