

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 13, 2013

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

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.), **Committee Report 1st House, Substituted**

Passage of the bill would authorize local taxing units to adopt a pollution control exemption for energy storage system property in counties that are currently designated by the U. S. Environmental Protection Agency as air quality nonattainment areas. To the extent that school districts adopt the exemption in these counties, the bill would create a cost to the state through the operation of the school funding formula and additional state aid.

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) 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 amend Chapter 42, Education Code, and Section 403.302, Government Code, to ensure that school districts are fully reimbursed by the state for revenue lost to the proposed energy storage system exemption.

Nineteen Texas counties are currently designated by the U. S. Environmental Protection Agency as air quality nonattainment areas. The bill would authorize local taxing units to adopt a pollution control exemption for energy storage system property in these counties. To the extent that school

districts adopt the exemption in these counties, the bill would create a cost to the state through the operation of the school funding formula and additional state aid. There would be a cost to local governments 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

Passage of the bill would authorize local taxing units to adopt a pollution control exemption for energy storage system property in counties that are currently designated by the U. S. Environmental Protection Agency as air quality nonattainment areas. There would be a cost to local governments to the extent that a taxing unit adopts the exemption.

Source Agencies: 304 Comptroller of Public Accounts

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